FINANCIAL TIMES

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Hong Kong bulls take warnings in their stride, Page 34

World news | Business summary

Turkish jets strike Kurds in Iraq

Turkish airforce jets struck at targets in Iraq in a significant escalation of the long-running campaign against Kurdish nationalist insurgents.

Unofficial reports said at least 100 people were killed in the strike, which was apparently in retaliation for a bomb attack by Kurdish rebels two weeks ago in which 16 died.

Major troop movements have been reported along the Turkish side of the border for the past five days and commando units have been flown in from other parts of the country. The semi-official Anatolian Agency announced that troops were poised on the frontier. Page 14

Guerrilla arms call

The Communist party of the Philippines and its military arm the New People's Army called for an escalation of their guerrilla war against President Corazon Aquino's Government in order to establish their own "organs of political power."

Attack on rebels

Some 700 Burmese troops have poured into Thailand in a mounting campaign to crush ethnic rebels in the Golden Triangle opium growing area, Thai military officials said.

Spanish protest

Thousands of students marched through Saragossa, north-east Spain in protest against police behaviour during demonstrations in which eight people were hurt and 14 arrested.

Managua press ban

Nicaragua's Sandinista Government imposed a press blackout on fighting against the 'Contra' guerrillas, whose numbers are now estimated to have increased to 7,000.

Trial postponed

The trial in Israel of Mordechai Vanunu, the nuclear dissident, has been postponed for three weeks while awaiting a Supreme Court ruling on whether or not the case should be heard behind closed doors.

Refugees expelled

France expelled two Spanish Basque refugees suspected of being members of the outlawed guerrilla organisation Eta.

Hamburg elections

Elections seem likely to be called in early summer in Hamburg, posing a further test for the cohesion of the Bonn coalition Government's policies.

Paris labour move

The French Government announced several measures intended to benefit the unemployed and those made redundant as part of its efforts to improve relations with the trade unions.

Aids tests 'illegal'

A West German federal lawyer, Manfred Bruns, said that sweeping anti-Aids measures announced by the Bavarian state Government last week were unlawful.

Chilean call

Chilean labour leaders called an anti-Government protest for March 25, a week before the arrival of the Pope, while bishops said they hoped the Pontiff's visit would help bring national reconciliation.

Lead-free petrol

EEC Governments should have the right to ban regular grade petrol containing lead, the European Commission proposed.

Population chief dies

Rafael Salas, executive director of the UN Fund for Population Activities, and the leading world authority on population, died aged 58.

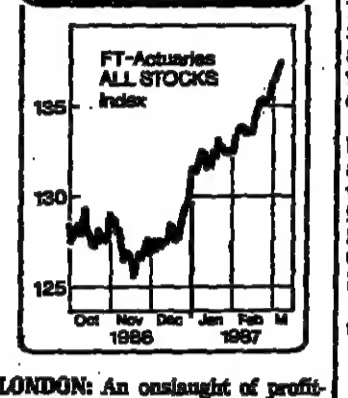
Bonn hit by sharp fall in output

WEST GERMAN industrial production fell sharply in January, the Government reported, compounding fears that the economy would struggle to grow at anything approaching the 2.5 per cent forecast by Bonn for this year. Page 14

WALL STREET: The Dow Jones industrial average closed up 30.93 at 2,257.45. Page 34

TOKYO: Strong gains in morning trading were blunted by concern over high prices and the likelihood of stiffer margin trading regulations but the Nikkei average still ended 60.27 up at a record 21,031.66, exceeding the 21,000 level for the first time. Page 34

GILTS



LONDON: An onslaught of profit-taking failed to halt the run to a new high as rising prices for crude oil buttressed sterling and hopes for early interest rate cuts. The FT-SE 100 passed the 2,000 milestone with a 4.4 rise to 2,002.7 but the FT Ordinary index shed 1.1 to 1,612.4. Gilts surged. Page 34

GOLD rose $2.50 on the London bullion market to $406.50. It also rose in Zurich to $406.55 ($403.65). Page 26

DOLLAR closed in New York at DM 1.8425; SFr 1.5525; FFr 6.1295 and Y153.755. It rose in London to DM 1.8375 (DM 1.8335); to FFr 6.1125 (FFr 6.1025); to SFr 1.5480 (SFr 1.5440); and to Y153.70 (Y153.65). On Bank of England figures the dollar's exchange rate index fell 0.1 to 103.9. Page 27

STERLING closed in New York at $1.5645. It rose in London to $1.5650 ($1.5600); to DM 2.8750 (DM 2.8600); to FFr 9.5650 (FFr 9.5200); to SFr 2.4225 (SFr 2.4075); and to Y240.50 (Y239.75). The pound's exchange rate index rose 0.3 to 70.9. page 27.

BULL, nationalised French computer group, posted a strong rise in net consolidated earnings to FFr 271m ($44.5m) from FFr 110m the year before. Sales rose by 10.5 per cent to FFr 17.8bn. Page 15

BRITAIN'S arms sales reached a record £5bn ($7.5bn) last year, largely because of a major aircraft deal with Saudi Arabia, putting the UK into third place in the world arms sales league.

CONSOLIDATED Gold Fields more than doubled half-year pre-tax profits and raised its interim dividend 12 per cent, the first such increase since 1981. Page 20

SAATCHI & SAATCHI, world's largest advertising agency, is to raise a net £61.3m ($95m) with a share placing to European investors as a preliminary to a full listing on the Paris bourse. Page 20

TRANS World Airlines of the US launched a $52 per share takeover bid for USAir.

US electronics and computer manufacturers have formed an industry consortium to combat increasing Japanese competition. Page 14

SEAT, car company bought from the Spanish Government last year by VW of West Germany, should reach break-even this year, according to Carl Hahn, VW chairman. Page 15

BMW, West German car group, warned the industry to prepare itself for lower sales this year after the exceptionally high worldwide demand for cars in 1986. Page 15

US puts forward plan to scrap European missiles

BY WILLIAM DULLFORCE IN GENEVA AND DAVID MARSH IN BONN

THE US yesterday presented to the Soviet Union a draft treaty to eliminate all Soviet and US medium-range nuclear missiles in Europe and to cut them elsewhere to 100 warheads on each side.

The document was "a full treaty text" and was now on the negotiating table, Mr Maynard Glitman, the head of the US delegation at the Geneva arms talks handling intermediate nuclear forces (INF) told journalists.

The proposal was in reply to a similar offer, announced by Mr Mikhail Gorbachev, the Soviet leader, last Saturday. Mr Gorbachev's offer, formally tabled in Geneva on Monday, removed the link between an INF agreement and curbs on President Reagan's Strategic Defence Initiative (SDI), involving space-based defensive weapons, on which the Soviet Union had previously insisted.

The US and Soviet proposals, based on a formula provisionally agreed at their summit in Reykjavik last October, are seen as the first real breakthrough in the US-Soviet arms control negotiations in Geneva since they were resumed in March 1985.

The draft called for the elimination, involving the removal and destruction, of all US and Soviet medium-range missiles in Europe over five years. It would permit Washington and Moscow to keep 100 warheads each in Soviet Asia and the continental US.

However, Mr Glitman said the US was prepared to waive its right to retain 100 warheads provided the Soviet Union agreed to remove its 100 warheads from Asia.

The Soviet Union has proposed that the definition of Asia in its text should be the region of the Soviet Union east of the 80th parallel.But Mr Glitman said that if the missiles were not kept a long way behind the Ural mountains, they would be "within range of our allies" and that this issue still had to be resolved.

Mr Glitman said that two areas of potential disagreement – verification measures and constraints on short-range nuclear missiles – were also dealt with fully in the US draft. Broad agreement on verification had been achieved at the Reykjavik meeting but the US draft went into greater detail.

It also contained provisions covering the longer-range of short-range missiles, and a final treaty would have to include an understanding that the rest of the short-range missiles would be dealt with in immediate follow-on negotiations.

Mr Glitman said a clear Soviet superiority in short-range nuclear missiles, which has alarmed Western allies, was covered by a specific proposal in the draft treaty.

"We believe they have to be an integral part of the treaty and have to be constrained," he said. "We think what we need is equality. The Soviets have a certain number. We think we ought to have the right to match them."

Under the Soviet plan, Moscow would remove missiles including short-range forces, which were deployed in East Germany and Czechoslovakia after 1983 in response to the start of Nato's deployment of Pershing 2 and Cruise missiles in Western Europe.

Mr Gorbachev said in his statement last Saturday that after an agreement had been reached on INF, Moscow was prepared to start immediate negotiations on removing and eliminating its other short-range forces in Europe.

Referring to the Soviet suggestion that an INF agreement could be signed within six months, Mr

Continued on Page 14
Background, Page 2

Britain licences first drug to treat Aids

BY TERRY DODSWORTH IN LONDON

THE WORLD'S first anti-Aids drug is expected to go on sale in the UK within a few months following the British Government's decision last night to grant a product licence to Retrovir, a drug developed by the Wellcome Foundation of the UK.

The decision to approve Retrovir, more commonly known as AZT, comes just 18 months after the product was first tested in clinical trials. Only six weeks ago, an advisory panel to the US Food and Drugs Administration recommended approval of Retrovir for the American market, but no decision has yet been reached by the full FDA committee.

Mr Norman Fowler, the British Health Secretary, said last night that he had been advised to grant a product licence in the UK by the committee on safety of medicines.

We have accepted this advice and a product licence has now been issued. It is for the company itself to decide when and how to make the drug available and to inform the medical and pharmaceutical professions accordingly."

Wellcome UK refused to make any comment on the approval, or on its plans for a launch of Retrovir last night. But the company has recently invested £17m ($26.6m) in new production facilities in the US and UK, indicating that it was aiming to start marketing the drug later this year. This expansion would increase supplies sufficiently to treat all the current Aids patients in Britain by May.

"We have every indication that approval is being expedited by the FDA (Food and Drug Administration) in the US," an official at Burroughs-Wellcome, the US branch of the company, said last night. Burroughs-Wellcome has already decided to charge $1.88 a capsule for the drug, making it one of the most expensive in the world, and entailing a total charge of about $8,200 per patient for a full year's treatment.

Retrovir is not a cure for Aids. But clinical trials, involving 300 people in the US, have shown that it is effective in prolonging the lives of some patients suffering from the disease. Most of those involved in the trials are still alive.

Anticipation of licences for Retrovir has sparked a big rally in Wellcome's shares in the UK. Since the shares were floated a year ago at 120p they have risen to as high as 450p, and finished last night at 423p even after a 17p fall on the day.

A spokesman for the Terrence Higgins Trust, Britain's leading Aids charity, yesterday described the move as "the biggest hope for Aids victims for a long, long time."

While the drug would not work for all Aids sufferers, and had side effects, "for some people, it is going to prolong their lives and they will welcome it with open arms."

The spokesman added: "It's a very emotional issue but if a drug is going to help a patient mentally, emotionally or physically, then they should have the opportunity at least to try it."

Rationalisation costs leave GM with $343m loss in Europe

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

THE EUROPEAN arm of General Motors, the world's largest automotive group, made a net loss of $343m last year, a slight improvement on the $371m of 1985, and all accounted for by rationalisation costs and debt write-offs.

In all, exceptional items accounted for $360m. Of that, nearly $100m went on ending medium and heavy truck production by Bedford, the British-based commercial vehicle subsidiary, and further restructuring of its van operations, Mr Bob Stempel, executive vice-president in charge of all GM's operations outside North America, said yesterday.

At the same time, GM yesterday announced that Mr Ferdinand Beickler, 65, head of the group's European operations, is to retire after 50 years with GM. His successor will be Mr John F. Smith, 48, his deputy since last summer when GM introduced a new structure in Europe with headquarters in Geneva. Mr Smith was previously president of GM's Canadian subsidiary.

Mr Stempel said the components subsidiaries in Europe made a net profit last year while the car business, Opel in West Germany and Vauxhall Motors in the UK, was in the black at the operating level. The car operations would make a net profit this year, "We are coming back in Europe," he said.

Opel's major investment programmes, totalling about $6bn were now completed and the new European management structure was allowing the division to concentrate on its main task – making cars for Europe.

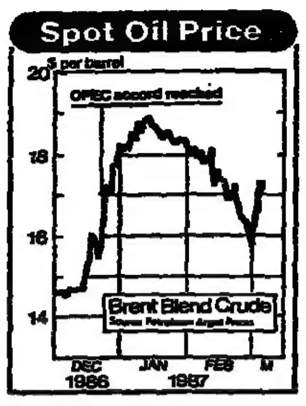
Vauxhall was likely to show a net loss last year, similar to the £47m ($72m) for 1985. Vauxhall's target was to break even next year and, Mr Stempel said, "The pressure is on them to do it sooner than later."

The remaining commercial vehicle operations at Bedford were improving month by month, "but we have not finished our deliberations about the van business yet," Mr Stempel said. "We do have to get costs down and productivity up."

Mr Stempel pointed out that Vauxhall was also in the throes of a cost-cutting programme and had just begun to export cars to continental markets again after a break of several years. In addition, GM was able to buy more components in Britain to help offset the fall in the value of the pound against the D-Mark.

UK tyre industry, Page 4; mammoth buy-back, Page 15

Spot Oil Price



Oil price rises as Opec curbs output

By Lucy Kellaway in London

OIL PRICES continued to rise on world markets yesterday as traders reassessed the determination of the Organisation of Petroleum Exporting countries (Opec) to enforce its agreement on production and prices.

The Brent crude price closed 50 cents higher at $17.20 a barrel, after peaking at $17.35. This increase lifts the improvement since Monday to $1.20.

Opec members are believed to be producing below the official target level of 15.8m barrels a day. Saudi Arabia, the cartel's largest producer member, is believed to have cut its output to 3.1m b/d, or about 1m b/d below its quota.

Mr Gholamreza Aqazadeh, Iran's Oil Minister, was yesterday quoted as saying that "if necessary, oil production would be reduced to defend prices".

Over the past two days, prices have also been supported by the reappearance of Japanese buyers in the spot market, after their absence for the past few weeks, and by rumours that Japan has signed an important contract with Iran.

An oil company executive said there had been a pronounced change in the market's view of the immediate outlook. "There are no breaks in Opec. It is not producing anywhere near its ceiling, and it is not prepared to compromise on price," he said.

However, others argued that the rally was no more than a correction to the decline of the past two weeks, which pushed the price of Brent down to $15.80, amid concern over the durability of the Opec agreement.

Meanwhile, the meeting of the Opec price differential committee, due to take place on March 9, has been postponed for a second time and is expected to take place on April 2.

The meeting was to examine the difficult issue of price differentials of Opec crudes, the postponement may reflect strains within the cartel.

Italy may bear burden of EEC budget reform

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission yesterday spelt out the details of how its sweeping plans to reform the EEC budget would work – with the sharpest increase in financial burden falling on Italy, and the main saving going to Britain.

It shows that France and Italy would have to pay the biggest shares of the Ecu 1bn ($1.13) British budget rebate, if the system is changed as the Commission proposes.

West Germany, Belgium, Denmark and the Netherlands would all also have to pay more under the plans to shift the burden of financing from poorer to richer nations.

The Commission's plans were published in an outspoken analysis of the EEC budget plight which stated flatly that it was "on the brink of bankruptcy."

It said the Community "has sunk into a morass of budgetary malpractices needed to conceal or postpone the real financial implications of Community policies," such as the overvaluation of food stocks, carrying forward deficits and accumulating long-term commitments without adequate cash to cover them. It estimates the total accumulated liabilities at Ecu 17bn this year.

The Commission spelled out how it plans to change the collection of Value Added Tax (VAT) contributions from EEC member states, from the present theoretical charge on national budgets to a 1 per cent VAT rate based on actual receipts.

Britain and Ireland would face an extra charge to allow for items such as food, children's clothes and newspapers, which are still zero-rated for VAT unlike in the rest of the Community.

The Commission also set out its own proposals for imposing much stricter spending control on the budget, including a time-limit for agriculture ministers to agree stabilisation plans for any sector overrunning its costs, and strict multi-annual budgeting.

The Commission's proposals for future financing, set out by Commission President Jacques Delors in the European Parliament two weeks ago, would switch from the present system of contributions based mainly on a harmonised VAT base to a combination of VAT payments and a charge related to gross national product (GNP).

The result, the Commission argues, would make the rich pay more, and Britain in particular pay less.

Initial calculations show that Britain's saving in 1987 would be Ecu 306m on a total contribution (before allowing for any budget rebate) of Ecu 6.66bn. Small savings would also go to Greece, Spain, France, Ireland and Luxembourg.

Italy would be hardest hit, having to increase its contributions by an estimated Ecu 188m to almost Ecu 5bn, a reflection of the low VAT take in an economy with a large "black" sector and a very high investment rate.

The one apparent aberration is that Portugal, the poorest EEC state, would increase its payment from Ecu 344m to Ecu 359m.

The proposed system for the British rebate would concentrate entirely on the disproportionately small agricultural budget spending going to the country, reimbursing half the difference between the country's share in EEC farm spending and its share in Community GNP.

That, according to the Commission, would mean a 1987 rebate of Ecu 1.016bn out of a gap of Ecu 2.032bn. The plan would exempt the poorest member states – Greece, Ireland, Portugal and Spain – from contributing to the British rebate and would also spare West Germany all but 25 per cent of what it would otherwise pay.

The result is that France would have to contribute 40 per cent of the British rebate – Ecu 405m this year – and Italy Ecu 261m.

EEC MEMBER STATES' CONTRIBUTIONS TO 1987 BUDGET* IN ECU

	Present VAT-based system	Proposed VAT + GNP based system	Difference
Belgium	1,554	1,600	+ 46
Denmark	783	827	+ 44
West Germany	9,686	9,743	+ 57
Greece	423	415	− 8
Spain	2,810	2,806	− 5
France	6,692	6,670	− 22
Ireland	366	345	− 21
Italy	4,806	4,993	+188
Luxembourg	68	62	− 6
Netherlands	2,209	2,227	+ 18
Portugal	344	359	+ 15
UK**	6,660	6,354	−306
Total	36,400	36,400	0

* Theoretical financing based on 12.1.87 exchange rates
** Before British budget abatement.
Source: European Commission

CONTENTS

MAKING THE MOST OF A SUPPORTING ROLE

Nancy Reagan's influence on the Presidency of the US is stronger than some in Washington would like, Page 3

Unemployed benefits improved in France

By David Housego in Paris

THE FRENCH Government has announced several measures intended to benefit the unemployed and those made redundant as part of its efforts to improve relations with the unions.

Mr Jacques Chirac, the Prime Minister, announced the moves in a succession of lengthy meetings with the main unions in line with the shift in policy he announced at the end of January towards reviving collective bargaining and a closer dialogue with the unions.

The shift in policy came in the wake of the Government's discomfort at the series of public sector strikes that occurred at the beginning of the year.

Apart from the Communist-led CGT, most of the unions emerged relatively placated by their meeting with Mr Chirac at which he was joined by other senior ministers. It is the first time that his conservative administration has made such an effort to woo the unions since it came to power last March.

The unions, however, failed to obtain assurances about a number of points worrying them. These include a safeguard clause in public sector wage agreements to guard against a higher than expected inflation rate; changes in the planned legislation on more flexible working hours, further steps towards work sharing through a reduction in the working week; and stimulatory measures to expand investment and jobs.

Of the concrete measures, the most substantial is a FFr 2bn (£700m) plan to provide training and in-house employment schemes for the long-term unemployed.

The further rise in the unemployment rate last month to 10.9 per cent of the workforce has drawn attention to the plight of the 800,000 long-term unemployed—or a quarter of the total.

Under the measure, the Government will pay salaries, training costs and social security charges over a five-month period in cases where those out of a job for a long time can be returned to employment. It will also cover training costs and a year's social security charges for companies signing two year contracts with somebody unemployed for a long time.

In another substantial measure, the Government is to provide retraining or the possibility of early retirement for those made redundant through company bankruptcies.

Trade warning to E. Europe

EAST EUROPEAN countries may have to sacrifice growth and investment goals unless they can stop the erosion of their share of world trade, according to an OECD report.

It says their domestic economic performance improved significantly in 1986, but their current account balance of payments weakened because of difficulties in expanding sales to world markets. Foreign debt increased.

Neither the financial markets nor the borrowers themselves were likely to accept further rises of the magnitude of the past two years. The countries therefore faced sacrificing goals in their five year plans unless they could boost exports of manufactured and agricultural goods.

Brussels draws up scheme to bolster EEC farm incomes

BY TIM DICKSON IN BRUSSELS

A HIGHLY controversial scheme to pay substantial direct income subsidies to European farmers is likely to be unveiled in Brussels in the next few weeks. If subsequently approved by member states, the plan could cost the Community budget several billion Ecus over the next five years.

Details of the proposed package—expected for the first time officially to sanction income payments to farmers out of national budgets—are still being worked out by the European Commission. Crucially, however, the ideas are known to have the firm support of Mr Jacques Delors, the Commission president, and the Farm Commissioner, Mr Frans Andriessen.

Mr Andriessen told journalists at a news conference in Brussels yesterday that two separate approaches were being considered. One was likely to involve a set of Community guidelines for member states wishing to pay direct income aids to their own farmers. The other would mean the development of a set of the Community's own schemes at least partly financed out of the EEC's own budget.

"The idea is to help those farmers who are finding it difficult to survive during the current transitional period of Common Agricultural Policy (CAP) reform," Mr Andriessen explained.

The whole issue is highly sensitive in Brussels because to fervent Europeans it raises the spectre of so-called re-nationalisation of the one genuinely common EEC policy. The fear of weaker countries like Ireland and Greece is that their farmers would be disadvantaged by such a development while the West Germans, for example, could more easily afford to take advantage of the new guidelines to provide national support.

Mr Delors and Mr Andriessen, however, feel that poorer farmers deserve compensation for the increasingly restrictive prices policy being pursued by the Community. Their proposals are likely to be framed in such a way that the contributions to such schemes made directly by member states will be in some way related to their ability to pay.

To some extent the Commission is reacting to the existing tendency of certain member states (notably France and West Germany) to promote their own national schemes.

A number of issues, have yet to be resolved, notably where the money for income support will come from, how much should be allocated, and the criteria for distributing it. One prickly issue is whether economically unviable farmers should be kept on the land or whether only the more efficient should be supported.

Critics, meanwhile, argue that the proposals effectively amount to a social security system for farmers, that it will be administratively very complex, that although designed to be temporary it could well become permanent, and that the criteria will almost certainly be widened when ministers hold their discussions.

East-West German trade declines

BY LESLIE COLITT IN WEST BERLIN

EAST-WEST German trade fell 9 per cent last year, the first such drop since 1979, the West German Economic Ministry reported.

Falling prices of oil and oil products accounted for much of the drop because West Germany sells crude oil to East Germany and buys oil products for West Berlin under a long-term agreement.

West German exports to East Germany fell 9 per cent to DM 7.8bn ($4.3bn) while imports dropped 10 per cent to DM 7.3bn.

The trade is conducted on a clearing system basis which does not involve expenditures of hard currency for East Germany. Trade with West Germany made up about 8.5 per cent of East Germany's trade while trade with East Germany was 1.4 per cent of West Germany's total trade.

West German sales of investment goods to East Germany rose 41 per cent to DM 1.7bn in large part to modernise East Germany's consumer goods industry.

The West German Chamber of Industry and Commerce (DIHT) said medium-size West German producers of plant and equipment stood a good chance to gain orders from East Germany.

East Berlin, it said, needed to find new markets for its goods in the West to make up for the loss of revenue from oil sales. To achieve this, however, it had to modernise its production facilities.

East Germany's trade surplus with all OECD countries fell sharply last year to DM 1.1bn (DM 3.1bn in 1985) as a result of low oil prices. In recent years the East Germans resold Soviet crude oil in the West as well as refined oil products.

Mr Martin Bangemann, West Germany's Economics Minister, is to attend the East-West trade fair in Leipzig later this month for talks with the East German leadership on ways to boost mutual trade.

The Prime Minister of the state of Baden-Wuerttemberg, Mr Lothar Spaeth, will also attend the fair along Mr Franz-Josef Strauss, the prime minister of Bavaria

● The mayor of West Berlin called on President Ronald Reagan yesterday and said the President had accepted an invitation to visit the divided city on June 12, **Reuter reports from Washington.**

Mr Eberhard Diepgen said Mr Reagan had formally accepted an invitation to visit West Berlin after a summit meeting of the major industrial democracies in Venice in early June.

He said he and Mr Reagan did not discuss the Iran scandal that has surrounded the White House with controversy. But he told reporters he hoped Mr Reagan would solve his problems, saying a strong American Government was needed during the current phase of East-West dialogue and arms negotiations.

MEDIUM RANGE MISSILES IN EUROPE

US		USSR	
Pershing 2s	108	270	SS-20s
Ground launched cruise missiles	208	112	SS-4s
	316	382	

Source: International Institute for Strategic Studies

MR MIKHAIL GORBACHEV last weekend proposed the elimination of all medium range nuclear missiles from Europe within five years. The chart above shows the present situation on both sides. The Pershing 2s are based in West Germany. They are a single warhead missile with a range of 1,800 km, according to Nato. The Soviet Union disputes this and claims they are capable of striking Moscow.

The ground-launched cruise missiles are based in Britain, West Germany, Belgium and Italy, although no precise details of their deployment are available. By 1988 Nato hopes to deploy 464 cruise missiles, of which 160 will be based in Britain, 96 in West Germany, 48 in Belgium, 112 in Italy and 48 in the Netherlands.

The triple warhead SS-20s are based in European Russia. They have a range of 5,000 km. In addition, 171 are based in the Asian region of the Soviet Union.

The SS-4 is an old missile. It has a range of 2,000 km and was first deployed in 1959 and is being retired. Some reports say it has been completely withdrawn from the arsenal.

Andreotti spurned by Socialists

By John Wyles in Rome

ITALIAN Socialists yesterday paid Mr Giulio Andreotti, the foreign minister, an extravagant compliment by asking his Christian Democrat Party to propose another candidate to be Italy's next prime minister.

The Socialist Party executive requested either Mr Ciriaco de Mita, the secretary of the Christian Democrat Party, or its president, Mr Arnaldo Forlani.

This mischievous move is the opening shot in the battle for advantage between Socialists and Christian Democrats in the formation of a government to replace the five-party coalition led by Mr Bettino Craxi, the Socialist leader, who resigned on Tuesday.

Mr Andreotti has already been officially confirmed as the Christian Democrat candidate to lead the next government. In seeking another nominee, the Socialists have confirmed that they regard the veteran politician as a threat to their interests and that they also intend to raise problems about every aspect of the new government.

Since the Socialists did not threaten to veto Mr Andreotti, yesterday's move looks to be part of Mr Craxi's successful attempts to keep the Christian Democrats nervous and off balance.

The statement issued by the Socialist executive said the Party wanted to seek a positive solution to the political crisis with its former allies. If the Christian Democrats wished to make clear a similar commitment, then they should line up either their secretary or president as prime ministerial candidate.

Neither Mr Forlani nor Mr de Mita has yet demonstrated that they are in the heavyweight class when it comes to leading governments—Mr de Mita has not yet even tried.

The Socialist position will be explained to Italy's President Francesco Cossiga by Mr Craxi during the President's exhaustive preliminary consultations with the leaders of at least ten parliamentary groups.

Spain prepares plan to increase exports

Spain is to unveil a Pta 105bn (£520m) plan this month aimed at increasing exports to reach European Community levels, Mr Apdonio Ruiz Ligero, director-general of the INFE export institute, said, **Reuter reports from Madrid.**

"The target is to raise exports to 20 per cent of gross domestic product over the next four years compared to 15 per cent now," he said.

Reinsurers come under scrutiny

By William Dullforce in Geneva

THE TROUBLED and increasingly volatile world reinsurance industry is under scrutiny in Geneva this week by more than 30 governments discussing ways of improving international regulation of the proliferating number of reinsurers.

Some urgency to the discussion taking place in the Invisibles Committee of the UN Conference on Trade and Development (Unctad) has been generated by a report claiming that many recent entrants to the reinsurance business lack both knowledge and experience.

They have viewed reinsurance underwriting merely as a vehicle for developing investment funds at a time of extraordinarily high interest rates, the report charges. As a result, the quality of the underwriting has deteriorated.

Some reinsurers have been unable to meet their obligations and several have gone out of business or disappeared, leaving their clients without cover and without payment of monies due to them.

Written originally by the Unctad secretariat at the urging of developing countries worried about unreliable reinsurers, the report has been revised by a group of private advisers, including representatives from the big US, British and West German insurance markets.

The report is "a signal to reinsurers that a handshake will no longer be enough," said Mr Lyndon Olson, chairman of the Texas State Board of Insurance. It showed that governments needed to become more sophisticated and better educated about abuses in the reinsurance market.

It was no coincidence that the demand for the report had come after the "predatory competition" on the reinsurance markets in 1984 and 1985 had led to inadequate pricing of premiums and slow payments, raising fears that some liabilities might simply be uncollectable, Mr Olson said.

A tremendous expansion in the number of reinsurers is documented in the report, not only in the five countries – West Germany, Switzerland, Britain, the US and France – which have dominated world reinsurance but in free zones and in countries offering offshore facilities.

Currently, some 376 professional reinsurance companies operate in the world, nearly three quarters of them having come into existence in the past 25 years.

Noting that financial collapses among reinsurers have so far been rare, markets having acted to provide short-term support, the report nevertheless finds no guarantee that a collapse would not set off a domino effect which would pull down sound reinsurers with unsound ones.

A large part of the report is devoted to defining criteria by which insurance companies can assess reinsurers on their own account. It recognises the "utmost importance" of allowing primary insurers the ability to shift from one reinsurer to another in search of the best deal.

Because reinsurance contracts are tailor-made to each insurer, the role that national insurance supervising authorities can play in shaping reinsurance programmes is minimal, the report recognises.

Greater attention must therefore be paid to the requirements of the reinsurance contract, the most important being the withholding of funds to back the ceded reinsurance, the report suggests.

It could be in the interests of all parties – insurers, reinsurers and supervising authorities – to arrive at an international agreement under which national authorites would supervise reinsurance sellers under its jurisdiction to ensure that they operate on a sound basis and remain financially solvent, the report recommends.

An international agreement would call for the establishment of minimum common regulatory standards which would apply to all reinsurers.

The developing countries and the Unctad secretariat are asking governments this week to set up a working group to decide on standards for licensing, disclosure, accounting, investments and evaluation.

Delegations from the industrial countries with big reinsurance markets are concerned about the freedom of contract. They express reservations about a full international agreement, but most accept the need for some international standards.

Peter Bruce reports on a small W German community hit by thousands of redundancies

Ruhr town faces up to future without steel

IT happens in West Germany too. A small, picturesque town, a close-knit community, is suddenly threatened by a decision by its big but remote employer to close the local steel mill. There is anger, fear and probably, in the end, resignation.

Hattingen, on the banks of the Ruhr, roughly between Wuppertal and Essen, is such a place. It is beautiful. The medieval, half-timbered, houses in the town centre are among the best-kept in the country. The hills around it, snow-covered now, will become a rich green in the summer.

Everyone seems to know everyone else — youths of threatening appearance in sharp cars stop to talk to little old ladies. The talk nowadays is mostly about the steel mill.

The Henrichshuette has been on the river banks for more than 130 years. Of the 18,400 people who work in Hattingen, 4,700 wark at the mill. It is owned by Thyssen, West Germany's biggest steelmaker and, for the past two years, a very profitable one.

That changed dramatically when prices in the European steel market collapsed in the second half of 1986 as producers fought for sales. Thyssen's steel division is in the red and will remain so for most of this year at least.

Thyssen's problems signal the onset of a new steel "depression" in the Ruhr The Germans complain that the D-Mark is too strong and that they cannot compete profitably with subsidised steel imports from other European Community countries or from the Third World. Krupp Stahl, Mannesmann and Kloeckner are all suffering steel losses too now, and thousands of jobs are in danger again.

On Thursday February 19, Thyssen put out a terse statement saying that it had decided to close the plate mill in Hattingen and that 2,900 people had to go. Not far away, in Oberhausen, many more workers in Thyssen's wire mills are also threatened.

Mr Guenter Wuellner, Hattingen's mayor, was shocked by the news "What have we done to deserve this?" he asks. "We have a monostructure here." The 2,900 jobs are to go in 18 months "and in this short time a chain reaction will be let loose."

The new manager at the local Woolworth's echoes the frustrations of many people in the town "We cannot imagine yet what the consequences will be," he says, adding, "they certainly won't be positive."

Already a citizens' committee, backed by shopkeepers and the local churches, has been set up to fight the closure. The local Communist Party, which has two seats on the city council, has pasted "wanted for job murder" posters of Thyssen executives all over the place.

At the works themselves, the atmosphere is bad. "Closure of the mill will mean the ruin of Hattingen," says Mr Rolf Baecker, chairman of the works council, promising that the closure plans will be fought.

"This about Europe's biggest steel company trying, on the quiet, to sneak away from its responsibilities," says Mr Baecker. "Are the workers to blame for the fact that there is no price discipline in the market? Once the plate mill goes the prospects for the rest of the works look even worse. A second step would follow.

> Mr Guenter Wuellner, Hattingen's mayor, has already been to Bonn to lobby politicians and has seen officials in Chancellor Helmut Kohl's office. But few people are about steel in Bonn any longer. A national election is four years away and 2,900 jobs are unlikely to stir much real concern

There would be no sense in stopping."

This week both the North Rhine Westphallian premier, Mr Johannes Rau, and Mr Franz Steinkuehler, chief of the Metal Workers' Union, I. G. Metall, are coming to town to offer support in the fight against closure. "Nothing frightens these fine gentlemen more than a public debate," says Mr Baecker of the steel barons.

Thyssen, union and city officials argue, should have begun a restructuring programme years ago. "It is not just a steel company," says Mr Wuellner, pointing out that it has wide interests in engineering and, more lately, electronics.

The most immediate headache for the union, though, is working out a suitable agreement with management to cover redundancy conditions. The two sides are not talking now, but if a mediator is appointed and comes down on the side of management, then the job cuts would be made much more cheaply than in a negotiated deal.

There is an extra burden. Not only does the works council have to deal with the tactical contradictions involved in trying to both stop the closure and win good redundancy, it should also be paying more than lip service to IG Metall's campaign for the introduction of a shorter working week.

The town is dotted with 35-hour-week campaign posters. But they were put there before the closure announcement and enthusiasm for the campaign is wilting fast as the dole queue looms.

Unemployment in Hattingen is already running at 14.8 per cent, well above the national average. The city had been bracing itself for a modest increase after Thyssen said last year that the two blast furnaces at the Henrichshuette would not be relined when their present life expires in October.

But the mayor says Hattingen is not equipped to handle the sudden loss of jobs for more than 15 per cent of its working population. The city council has already been forced to agree this year to its first budget deficit.

Mr Wuellner has already been to Bonn to lobby politicians and has seen officials in Chancellor Helmut Kohl's office. But few people care about steel in Bonn any longer. A national election is four years away and 2,900 jobs are unlikely to stir much real concern.

Hattingen, meanwhile, will be 600 years old in a few years and its hope now is that, having lived through other changes, something will come up. It used to be surrounded by coal mines, some of which the council was planning to partly restore as tourist attractions before the closure news. "The mines have all gone," says the mayor, "what we have left are good memories of them."

Greece seeks to lift foreign borrowings

BY ANDRIANA IERODICONOU IN ATHENS

GREECE is looking to borrow more abroad this year in order to meet in advance foreign debt amortisation payments due in the next three years, according to Mr Dimitris Chalikias, Governor of the Bank of Greece.

Greece faces amortisation payments of $1.5bn this year. These will peak at $2bn in 1988, and remain at a high $1.8bn and $1.85bn in the following two years.

The Government's ability to refinance the foreign debt will depend on its success in meeting its target of reducing the current account deficit to $1.25bn by the end of this year, said Mr Chalikias.

The deficit target is a key part of the Government's two-year programme introduced at the end of 1985. Last year, the current account deficit was nearly halved to $1.756bn from $3.275bn.

"Greece's credit rating is high due to the improvement in the balance of payments. Banks are coming to us continually with proposals for loans," the bank's governor said.

The Bank of Greece is estimating private capital inflows this year of about $1.2bn this year making for a gross foreign borrowing requirements of approximately $1.6bn. Mr Chalikias did not specify how far above this figure the authorities intend to try and borrow.

Last year Greece borrowed about $700m more than it needed, according to Mr Chalikias. Approximately half of this was added to foreign exchange reserves, bringing them to $2.211bn, and the rest was used to reduce short-term debt. Bank figures at the end of last year showed Greece's overall medium and long term foreign debt to be $16.85bn

Italian-US groups form joint venture in optical disk market

BY ALAN FRIEDMAN IN MILAN

A JOINT venture for the development, manufacturing and marketing of optical disks on the European market was announced yesterday by Olivetti, the Italian office automation group, and Microsoft, the independent software company which is the second biggest in the US.

Seat, the telephone directory subsidiary of Italy's Iri-Stet state holding group, will also join the venture on an equal one-third basis.

The Olivetti-Microsoft-Seat venture is aimed at seizing a share of the European market in optical disks. These disks, also known als CD Roms (Compact Disk Read only Memories), are similar to audio compact disks, but are able to store large quantities of data recorded by a laser beam.

The new company is to be called Eikon and is to be headquartered in Rome. It will have an initial capital of L4.2bn ($3.2m), to be more than trebled by year-end.

Olivetti said last night it was difficult to predict the level of sales obtainable in what is a relatively new market, but the company hopes that Eikon may achieve as much as L50bn of annual turnover by 1989.

Eikon, which is to become operational in May of this year, will be Microsoft's first such venture outside of the US. The company will design, develop, produce and market optical software for the European information technology market. The initial technology will be licensed from Microsoft.

Microsoft, which turned over $197.5m in the year ended June 1986 is second only to Lotus Development among US independent software houses.

It is best known for having developed the control software (operating system) that IBM uses on its very successful personal computers.

● Arco Chemicals of the US and Enichem, the chemicals subsidiary of Italy's Eni state energy group, have signed a letter of intent to form a joint venture for the manufacture and marketing of resins and thermoplastic styrenes on the European market.

Arco and Enichem will work together on research and development and will also market jointly certain products such as Arco's "Dylark"

Former Abdallah lawyer 'supplied information'

BY DAVID HOUSEGO IN PARIS

A BIZARRE footnote to the trial of Georges Ibrahim Abdallah, the Lebanese terrorist, surfaced yesterday when it emerged that his former defence lawyer was working at the same time for the French intelligence services.

Abdallah was sentenced to life imprisonment in Paris last Saturday for his role in terrorist attacks.

Mr Jean-Paul Mazurier claimed in a book due to be published this week that while acting for Abdallah after his arrest in 1984 he was also passing on information to the French intelligence services. The information was allegedly the messages that Abdallah was sending to friends and which might have helped police prevent further terrorist attacks.

Doubts were immediately cast on the reliability of Mr Mazurier's testimony by other lawyers who said that he was condemned on a drugs offence in June and risks being struck off the register of lawyers.

Mr Mazurier, whose "confession" is bound to open him to possible terrorist reprisals, was unavailable for comment yesterday.

None the less Mr Jacques Verges, Abdallah's defence counsel in last week's trial, said that as a result he would seek to have the case annulled.

If he is serious in his intent he has only until today to apply before the life sentence is offically confirmed. French procedures make it extremely complicated to have a case annulled.

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Death of Eta terrorists' former leader poses a problem for Madrid

BY DAVID WHITE IN MADRID

THE RECENT death in Algeria of Mr Domingo Iturbe Abasolo, former chief of staff at Eta, the Basque separatist organisation, has created a new element of friction in Madrid's carefully cultivated but always delicate relations wih Algiers.

Silence on the part of the Algerian authorities has left questions unanswered both about the circumstances of the road accident in which he died and about Algeria's attitude to Basque militants.

Mr Iturbe, known as "Txomin," was considered Eta's top leader from about 1975 until his arrest in France last April, for breaking a confinement order. A long-time French resident, he was deported to Gabon in July and was known to have moved to Algeria

However, in the crash which killed Txomin and an Algerian driver were also a man and a woman high on the Spanish police's list of wanted terrorists. Both were slightly injured. Although the police appear to have had clues, Spain had received no information about their presence in Algeria. Nor had Madrid been officially informed about Txomin's move.

Senior Spanish officials have suspected that Algiers might be seeking to use Basque exiles as leverage on Madrid to clamp down on the activities of the Movement for Democracy in Algeria (MDA), the opposition group headed by former President Ahmed ben Bella. This group, which has come under pressure in France, has a strong presence particularly in Spain's Alicante region.

Mr Rafael Vera, Spanish Secretary of State for Security, has disclosed that following Txomin's move a pact was reached for Algeria to take up to 30 of the Basque activists deported from France, with the condition that Madrid should be kept informed of their movements. The two wanted Eta suspects clearly fall outside this pact. However, Spain has refrained from lodging a protest before the visit which Mr Francisco Fernandez Ordonez, the Foreign Minister, is due to make to Algiers at the end of this month.

There has meanwhile been speculation that Txomin's death could have been an Eta operation. Some hope had been held out—especially by the moderate Basque Nationalist Party (PNV) — that Txomin might be more amenable to an Eta ceasefire than the new generation of leaders who were not active in the France period and who are considered more bound to Marxist doctrine and closer to other European terrorist groups. Despite his replacement by younger chiefs last year, Txomin was regarded as a charismatic figure with unmatched moral authority in Eta circles.

The Basque regional government, run by the PNV at the time, says it sounded out Txomin in the period just before his arrest but was unable to determine how far he was prepared to go towards a negotiated settlement.

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OVERSEAS NEWS

Hope of poll gains by reformists fuels financial rand

BY JIM JONES IN JOHANNESBURG

JOHANNESBURG stockbrokers and bankers, who have watched the financial rand rise by about 20 per cent since President P. W. Botha's election call on January 31, believe the investment currency has been helped by the prospect of electoral gains by reformists when white South Africa goes to the polls on May 6.

According to observers, non-resident investors' perceptions of South Africa have been improved by the candidacy of independents such as Mr Denis Worrall, former Ambassador to London.

Last year, the financial rand market was largely dominated by divestment, but that began to change as divestment reached a peak with the departures of Barclays, General Motors and IBM.

The financial rand was re-introduced in September 1985—when South Africa's foreign debt crisis erupted—to prevent divestment draining the country's foreign exchange reserves.

The South African Reserve Bank has progressively tightened exchange controls and now has a firm grip on the commercial rand, which is being managed in a tight band around $0.48.

The financial rand—the effective exchange rate at which non-residents trade South African investments between Johannesburg and world financial markets—remains, however, as a barometer of foreign investors' fluctuating confidence.

Major divestments have been a persistent drag on its effective exchange rate. The largest was that of Barclays Bank, which has almost completely externalised the Rand 527m proceeds of last November's sale of its South African affiliate.

At the end of January, the financial rand was worth $0.23, at which point it stood at a discount of more than 50 per cent to the commercial rand, then worth $0.485.

On Tuesday, the financial rand momentarily touched $0.287 where it discounted the commercial rand by only 40 per cent.

Dr Jan Lombard, a deputy governor of the SARB, believes that its strength is due to foreign buying of South African gilts, which can yield 25 per cent to non-residents.

Mr Autrey Wilke, Barclays' chief foreign exchange dealer, supports Dr Lombard's view, adding that there are signs of strong foreign demand for South African gold shares which yield as much as 17 per cent to non-residents.

Most foreign exchange dealers and stockbrokers agree that the financial rand's exchange rate is unlikely to improve further until after election day.

Virtually everyone believes that if the pro-reform candidates make strong showings, the improved foreign perceptions of South Africa's investment merits will be confirmed.

That is expected to lead to a further strengthening of the financial rand.

Philippines war call

BY RICHARD GOURLAY IN MANILA

THE COMMUNIST Party of the Philippines and its military arm, the New People's Army (NPA) yesterday called for an escalation of their guerrilla war against President Corazon Aquino's Government in order to establish their own "organs of political power."

The statement comes as the death toll in the 18-year-old insurgency has begun to rise sharply.

More than 210 soldiers, rebels and civilians have died in fighting with the Communist-led rebels since a 60-day ceasefire expired on February 8.

Iran begins offensive on Gulf War north front

By Our Middle East Staff

IRAN, which has reported a fresh escalation in the battle to the east of the Iraqi port of Basra in the past 48 hours, yesterday announced the launching of a new offensive on the northern front of the Gulf war.

Tehran Radio reported the new offensive in the Haj Omran area of the Kurdish mountains, scene of bitter fighting in mid-1983 after a cross-border thrust by Iran.

The Iranian news agency, Irna, said attacking forces had captured Iraqi mountain positions in the assault, launched on Tuesday night, and had wiped out one Iraqi battalion. Fighting was said to be continuing.

The radio said the operation was aimed at occupying strategic heights in the area.

The latest move comes when Iraq's forces on the northern front may be weakened by the deployment of large numbers around Basra.

But it may also mark a new attempt by Iran to seize the initiative following the failure of the assault it launched on Basra, Iraq's second city, in early January.

The Iranians, who last week officially called off their Basra offensive, yesterday reported fierce fighting around Fish Lake, an area six miles east of Basra flooded by the Iraqis as a defence.

New Caledonia talks pledge

By Dai Hayward in Wellington

THE South Pacific countries will seek talks with the French Government over the future of New Caledonia.

Ratu Sir Kamisese Mara, Fiji's Prime Minister, revealed yesterday that Mr Jacques Chirac, the French Prime Minister, had sent him a letter in which he twice expressed a wish to talk.

He welcomed the offer from Mr Chirac, but said the states would talk to the French Government through the South Pacific Forum—not individually.

Francis Ghiles reports on the effect of fundamental economic and financial reforms

Tunisians bid farewell to the soft life

DESPITE the recent upheavals in Tunisian politics, the Government headed since last July by Mr Rashid Sfar is getting to grips with a number of fundamental economic and financial reforms.

In 1986, President Habib Bourguiba, whose health at the age of 86 remains frail, divorced his second wife, Wassila Ben Amar and sacked his Prime Minister of six years' standing, Mr Mohammed M'Zali.

He also initiated a campaign against corruption which claimed some prominent victims — notably among the families of the former First Lady and Prime Minister — but has seriously undermined the confidence of many Tunisian businessmen.

The mood in Tunisia remains sullen, with few Tunisians daring to give the kind of parties for which the wealthy suburbs of Carthage, north of Tunis, were once famous. The campaign against corruption and the powers invested in the Minister of the Interior, General Zine El Abidine Ben Ali, are reminders that the country's famed douceur de vivre may be a thing of the past.

This mood, if it persists, will not help the Government. Although it is far too early to judge, lack of support for the reforms, both in the population at large and from the traditionally influential middle classes could present the Government with a serious problem later in the year.

These events have not prevented Mr Ismail Khelil from completing negotiations with the International Monetary Fund (IMF) and World Bank in record time.

At a meeting of major Western and Arab aid donors held in Paris last month, Tunisia secured a pledge of $250m-worth of concessionary funds and the promise of a further $50m for 1987. A meeting with international banks will be convened in London next April during which Tunisia hopes to raise a commercial bank loan of $150m.

The figure of $450m, which is what Tunisia needs to cover the deficit in its balance of payments this year, thus looks within Mr Khelil's reach.

This figure could, however, turn out to overestimate Tunisia's needs, especially if the cereal crop turns out to be as good as the recent level of rainfall suggests it might be. Part of these monies are needed to help rebuild reserves which fell to zero at the end of last June.

The current account deficit, which increased by one third to Dinars 650m (£526m) last year, is projected to decline to Dinars 590m (£477m) this year thanks to an increase in exports, especially in the textile sector, and a decline in the imports of cereals. Capital inflows should rise to Dinars 700m (£566m) compared with last year's figure of Dinars 455m (£361m).

Tunisia's foreign debt (excluding military and short term debt) increased by one third between 1985 and 1986 to Dinars 4.15bn (£3.36bn) and is projected to grow by a further Dinars 560m (£453m) this year.

TUNISIA (millions of Dinars)	1984	1985	1986	1987*
Current account	−680	−491	−650	−590
Trade balance	−1,112	−844	−940	−955
Drawn foreign debt	3,150	3,180	4,150	4,710
Debt service (%)	19.5	21.6	25.7	27.9
Foreign currency reserves	295	201	−4	105
Capital inflows				
Investment	160	116	110	100
Aid	22	30	35	30
Medium-term loans	255	210	300	570
IMF			150	45

* Projections.

Source: Tunisian Ministry of Planning — January 1987

The liberalisation of trade meanwhile proceeds apace. The maximum import tariff is being brought down from over 100 to 50 per cent this year while those manufacturers who export at least 25 per cent of their output are freely allowed to import the raw materials and spare parts they require. Getting such a centralised bureaucracy to implement such policy changes will not be easy, however.

Subsidies, meanwhile, are being trimmed, even on staple foodstuffs such as bread, and prices are rising sharply. The standard of living of most Tunisians has declined markedly since 1984, while new jobs on offer do not even account for half the entrants into the labour market.

So far social tensions have not been serious, not least because the former Prime Minister emasculated the Union Generale des Travailleurs de Tunisie (UGTT) whose leader, the 73-year-old Mr Habib Achour, is serving a four-year prison term for mismanagement of union funds.

Public opinion has remained apparently indifferent to the fate of Mr Archour.

Nor did the voters flock to the polls for the general election last November which the opposition parties boycotted, alleging that the "arbitrary" behaviour of the authorities made a mockery of democracy.

One of the sharpest critics of President Bourguiba is Mr M'Zali, who fled his country last September. He expressed grave concern in a recent interview about what he described as "the clique which surrounds the president and heavily influences whom he sees," notably Mr Bourguiba's niece and nurse, Madame Saida Sassi.

He also accused Tunisian officials of torturing his son and son-in-law. Such washing of dirty linen in public undoubtedly makes many Tunisians uneasy, even if they add that it does little credit to a man who served Mr Habib Bourguiba for 30 years.

The concern Mr M'Zali expresses at the harshness of "IMF-imposed measures" is met with an ironic smile by senior members of the Tunisian cabinet. They remember only too well the former Prime Minister's refusal to heed warnings about the economy after the bread riots of January 1984. Those ministers who dared tell President Bourguiba the truth in June 1985 feel that such attacks are unwarranted.

Mr Rashid Sfar and Mr Ismail Khelil know they face a long haul, made no easier by the uncertainties of Tunisian political life. Despite these difficulties they are pushing through reforms which most Tunisians acknowledge are necessary even if they disagree with certain points.

The country's external financial position will be clearer after next month's meeting. Otherwise Tunisians leaders can do no more than pray for rain, a good influx of tourists and for their turbulent Libyan neighbour not to play a spoiling game.

Boost for babies in Singapore's new budget

BY STEVEN BUTLER IN SINGAPORE

BABIES, or at least their parents, appear to be the biggest beneficiary of Singapore's fiscal '87 budget, which otherwise continues a number of measures introduced the previous year to spur recovery of the economy.

Dr Richard Hu, Singapore's Finance Minister, yesterday tabled a budget in parliament in which total government spending for fiscal '87 is estimated at S$18.67bn (£6bn)—a 14 per cent increase over 1986. As a percentage of GDP, spending would rise from 43 to 47 per cent.

The increased spending would be due to "once-off" payments of backdated interest.

The boost for babies came in special tax relief measures for couples giving birth to a third child. These include a S$20,000 tax rebate that can be used to offset tax liabilities of husbands and wives, and an additional rebate of 15 per cent of the wife's earned income. The rebates would be absorbed over a five-year period.

The Government has gone into reverse on its population policies. Until recently, it campaigned strenuously for a two-child family, but with the birth rate now falling, the Government has become concerned about a future labour shortage.

In other measures, tax revenues would fall to S$4.56bn —S$293m below fiscal 86. Consolidated revenues, however, would rise S$1.27bn to reach S$9.06bn.

The Government is expected to end fiscal 87 with a deficit of S$3.75bn, which would be financed through domestic borrowing.

Dr Hu said the Government would be prepared to introduce a consumption tax should a permanent deficit become inevitable due to the current tax and spending structure.

The Government last year slashed corporate and personal taxes in an effort to spur the economy. Dr Hu gave assurances yesterday that the tax concessions would remain in place for as long as they are needed to maintain Singapore's international competitiveness.

New tax concessions are designed to promote financial futures trading in Singapore, and also to promote securities trading.

Taxes on tobacco and alcoholic beverages are to rise.

The budget is aimed broadly at continuing the economic recovery that began last year, when the economy began to pull out of a deep recession to post a modest growth rate of 1.9 per cent.

AMERICAN NEWS

Nancy Dunne assesses the role of Mrs Reagan, once an accomplished actress

Spotlight turns on Nancy's best performance

RONALD REAGAN'S public persona of strength and confidence may have been ravaged by the Iranian arms deal, but the First Lady's public image has also been shaken. In her fierce insistence on surrounding her husband with staff of her choosing, Mrs Reagan is emerging from the worst crisis of her husband's presidency looking like a cross between a protective lioness and Lady Macbeth.

American first ladies used to be the essence of public invisibility. Women of extraordinary character and intellect, such as Mrs Eleanor Roosevelt, made their presence felt in spite of, as much as because of, their percieved primary role as supporters of the chief executive.

But since 1960, only Mrs Pat Nixon can be said to have chosen the path of deference. Their own inclinations, combined with the inexorable attention of the popular media, transformed Mrs Jacqueline Kennedy, Mrs Lady Bird Johnson, Mrs Betty Ford and Mrs Rosalynn Carter into figures of real or imagined consequence in the public eye.

Mrs Reagan, after a discreet beginning, has shown herself alive to the influence at her disposal.

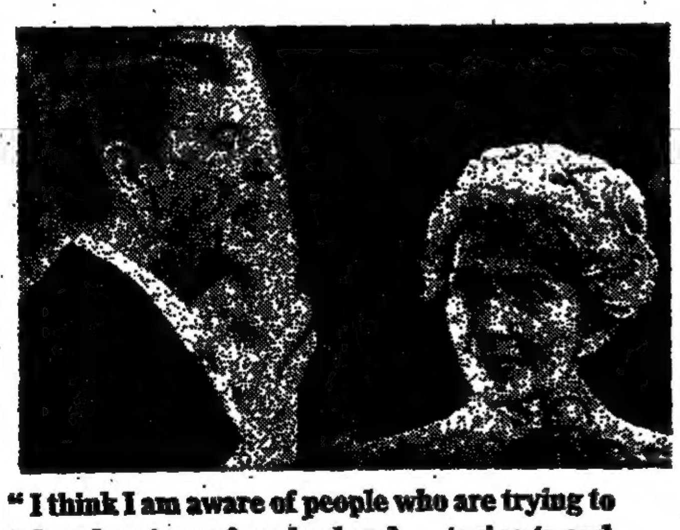
For months Mrs Reagan pushed for the departure of Mr Don Regan, the President's high-handed Chief-of-Staff who, she believed, had ill-prepared her husband for the Reykyavik summit. She was outraged when Mr Regan later told the press that he felt like the leader of a "shovel brigade" that cleaned up after presidential gaffes. She was furious that he was pushing the ailing president into a demanding schedule too soon after his surgery.

President Reagan, who still reportedly remembers with sorrow the firing of his father one Christmas Eve, is notoriously unable to discharge his own employees. It, therefore, has often fallen on Mrs Reagan to engineer the departures of tenacious office holders.

However, her role in the Regan departure, highlighting her decisiveness at a time when the president seems most ineffectual, has been strongly criticised. She hurt herself further by announcing on Monday, at a meeting of the American Camping Association, that she is "an expert" at getting off "leeches."

In a scathing attack on Monday, Mr William Safire, the New York Times' conservative columnist, savaged what he saw as Mrs Reagan's "extraordinary vindictiveness" and "gleeful victory statement" when Mr Regan's resignation was announced. Mr Safire wrote that Mr Reagan's "immediate sin, in the view of the power-hungry First Lady, was in pressing the President of the US to get off his duff" and do his job.

Also under fire is Mrs Reagan's continued close friendship with Mr Michael Deaver, the former presidential aide, who is under investigation for having used his White House contacts in his lobbying business. According to Mr Safire, "she has been all too interested in appointments of US ambassadors and the suspected manipulation of these appointments for Michael Deaver for his private benefit is presumably under Grand Jury review."



"I think I am aware of people who are trying to take advantage of my husband . . . trying to end run . . . to use him. I'm very aware of that. All my little antennae go up." Nancy Reagan, US First Lady

Other, less vitriolic criticism still portends trouble for the White House image-makers. One Florida syndicated cartoonist recently pictured the First Couple in bed, their backs to each other. Mrs Reagan is sleeping cosily wrapped in a blanket, her husband is curled up and shivering.

Such implications of heartlessness sit poorly with reports, like one in the Washington Post last week, that Mrs Reagan once interrupted her husband during White House deliberations, saying: "Honey stop talking. Go take your bath."

Until the Iranian arms affair, the First Lady's legendary protectiveness of her husband was viewed by most Americans with complaisance. The obvious devotion of "Rawhide" and "Rainbow"—the Reagans' secret service designations—was noted with approval, as were her famed adoring gaze through even the most repetitive of his speeches, their public handholding and her known penchant for nocturnal worrying while he gets a good night's sleep.

Mr Reagan had come far since her husband first took office, when she was gauche enough to redecorate the White House and show herself in designer finery at the depths of the recession. Her anti-drug crusade, conducted with fervour and efficiency under the guidance of a shrewd staff, helped erase the "Queen Nancy" image and won Mrs Reagan higher poll ratings, on occasion, than her husband.

Mrs Reagan's "wifely" concerns are also popular in mid-America—her husband's image, his health and, lately, his place in history. She wisely forebears in-depth public comment on substantive issues. Never has President Reagan suggested, as did Jimmy Carter, that his wife was a "partner" in the presidency — even though the evidence is of a role at least comparable to Mrs Carter.

Mrs Reagan's deepest involvements have often come when the President's fortunes have ebbed. After a crucial loss in the 1980 primaries, she helped oust from the campaign management Mr John Sears, who has now allied himself with Senator Bob Dole's presidential campaign.

After Mr Reagan's disastrous performance against Mr Walter Mondale, the Democratic nominee, in the first 1984 presidential debate, it was Mrs Reagan who leaked word that the President had been "over-prepared," his head stuffed with unnecessary facts. At her insistence, he was readied for the second, successful debate, with a regimen of ego-building and pep talks so, like any good actor, he would be "up" for the performance.

As the President's hearing has failed, Mrs Reagan has been seen prompting his responses to reporters. At a press conference in 1984, the President was asked what he could do to get the Soviets to a summit. While he faltered, Mrs Reagan whispered: "We're doing everything we can," which the President obediently repeated. Later, she insisted she had been talking to herself.

Under more scrutiny now than ever, it has been remembered that Mrs Reagan was once a highly accomplished actress with 11 movies and some Broadway shows to her credit. That she never became a big star was attributed to her lack of glamour, which relegated her to character parts as a wife and "a steady woman." She has possibly been playing the best role of her life.

Argentina's dilemma over human rights deepens

Tim Coone reports from Buenos Aires on the military's unease over a controversial law

THE Government of President Raul Alfonsin has received a sharp warning from the country's most senior naval commander, Admiral Ramon Arosa, over moves by the courts to prosecute members of the military inspite of the time limit for such prosecutions having passed on February 22.

Admiral Arosa, who has previously supported President Alfonsin, warned that further trials could indermine military morale and compromise efforts to bring cilivilian and military society closer together.

The admiral's intervention is a further sign of the confused and politically sensitive situation created by President Alfonsin's putno final — the controversial law putting an end to further trials for human rights abuses under the previous military junta.

Of the 1,000 military and police that have been accused by the various human rights organisations, 650 by name, the remainder by codenames used to disguise their identity, 158 have been cited by the courts before the deadline, according to Ministry of Defence figures. Most are army officers or NCOs.

The first hearings and trials began last week in the capital.

A number of the accused are serving officers and fears remain that several may refuse to appear before the civilian court, in spite of government threats that failure to do so would result in the offenders being immediately cashiered.

The uncertainties that remain are numerous. Firstly, for a large number of cases, 504 in one province alone, the Punto Final deadline has been extended due to the inability of several federal courts to determine under whose jurisdiction the cases fall.

Only when this is agreed upon, will the countdown for the 60-day time-limit begin for the courts to cite the accused in the cases.

Furthermore, the inexplicable delays of the Ministry of Defence in passing on information required by the courts over the past two months has created much ill-feeling and a sense of injustice.

At least one state-prosecutor has said publicly that the law has to be challenged on its constitutionality. Detractors of the law argue that it violates the principal of equality before the courts of all the country's citizens, which is enshrined in the constitution. By creating a distinction for the armed forces, the constitution is violated, they say.

The most positive aspect of the entire debate over the human rights trial, however, is that it has demonstrated that Argentina's three - year - old democracy works. The conflict has arisen precisely because there is a separation of powers between the executive, the legislation and judicial bodies which function independently of each other.

US factory orders fall 4% in January

US FACTORY orders fell 4 per cent in January, the largest drop in seven years, the Government reported yesterday, Reuter reports from Washington.

The decline, along with other recent economic data, suggests the US economy may be slowing. But many financial analysts are playing down the latest round of economic figures because of distortions in economic activity caused by tax law changes at the beginning of the year.

Excluding volatile defence goods, factory orders dropped 5.2 per cent in January, the Commerce Department said.

Overall factory orders fell $8.2bn to a seasonally adjusted $194.5bn in January.

The decline was the largest one-month fall since a 4.5 per cent drop in May 1980. It followed a 1.6 per cent rise in orders in December.

January's biggest drop was in orders for expensive durable goods such as appliances and cars. Those orders fell 6.7 per cent. Orders for non-durable goods fell 0.8 per cent.

Orders for defence-related goods rose 49.7 per cent in January, following a drop of 57.7 per cent in December.

Haiti to seek return of $120m from 'Baby Doc'

THE GOVERNMENT of Haiti goes to court today to try to get back $120m (£85.7m) allegedly embezzled by former President-for-life Jean-Claude Duvalier over 15 years, AP reports from Grasse, France.

Attorneys representing Haiti and judicial officials in Grasse said they expected the hearing would be brief and that the court would accept a defence request for a delay.

Jean-Claude Duvalier arrived in France on February 7 1986 and now lives in exile in the Riviera town of Mougins. He was not expected to appear at the proceedings and French law does not require him to be present.

Reagan nominee to head CIA receives widespread support

BY LIONEL BARBER IN WASHINGTON

PRESIDENT REAGAN'S nomination of Mr William Webster, head of the Federal Bureau of Investigation, as the new director of the central intelligence agency, was applauded by a wide section of Democrats and Republicans yesterday.

Mr Webster, a lifelong Republican who prefers to be called "Judge" because of his time on the bench, was seen as a safe, if not exactly inspiring choice. While Mr Webster has a reputation as the man who cleaned up the FBI after J. Edgar Hoover, he has next to no experience in foreign affairs.

His nomination, announced hastily on Tuesday evening, reflects the desperate efforts by the White House to show that Mr Reagan is back in control of his Administration in the wake of the Tower Report's withering criticism of his laid-back management style.

Mr Webster's nomination removes an important obstacle to the White House campaign to show that the Administration is back on course after last week's devastating Tower Commission report.

The first step was the appointment of a new White House Chief of Staff, Mr Howard Baker, the second was the withdrawal of Mr Robert Gates' nomination as head of the CIA. The third was to find a successor to Mr Gates.

Mr Webster, 63, took over the job of running the FBI in 1978 when the agency was demoralised by disclosures about improper activities such as illegal phone-tapping of civil rights and radical groups.

He is credited with moving the FBI into the modern era of crime fighting, away from bank robberies and stolen car rings and into political corruption and drug enforcement.

Of all the leading figures in the Reagan Administration, he has managed to steer clear of most of the Iran-Contra fall-out. The one unexplained problem is why he agreed to delay an FBI investigation into a Florida-based charter airline with links to the secret private aid network to the Nicaraguan Contra rebels.

One potential difficulty for Mr Webster lies in the continuing Iran scandal investigations. His FBI agents have been helping the independent counsel Mr Lawrence Walsh in his criminal investigation which focuses in part on the CIA.

Electricians' march halts Mexico City traffic

BY DAVID GARDNER IN MEXICO CITY

STRIKING electricians have brought traffic in Mexico City to a standstill with the biggest protest march by organised labour since the 1982 financial crisis.

The electricians, from the Sindicato Mexicano de Electricistas (SME), are seeking a 23 per cent emergency wage increase, and are protesting at the authorities' decision to try to break the strike by taking over the daily running of the power company that supplies Mexico City and surrounding states.

The 23 per cent demand is based on the minimum wage increase decreed by the Government at the beginning of the year, in addition to which the SME will be seeking a 73 per cent rise in its annual negotiations due to begin on March 1[illegible]

Winning the increases would still leave the SME short of the inflation rate, at present running at 105 per cent.

Some 150,000 people turned out to support the SME's 30,000 strong contingent, calling among other issues, for the suspension of service payments on Mexico's $100bn (£71bn) foreign debt.

Despite the government takeover of electricity installations, the strike is beginning to bite, with whole areas of the city blacked out at intervals.

The Government has shown what some observers see as the first sign of flexibility, by resisting calls to have the strike declared illegal.

WORLD TRADE NEWS

Louise Kehoe on a plan for US semiconductor co-operation

Chip makers ask Congress for help

"THE US semiconductor industry could become either the next victim, or the first survivor, of the economic onslaught from Japan." That is what industry leaders have been telling government representatives this week. They have begun an effort to build congressional support for Sematech, a proposed $1bn co-operative manufacturing venture to be funded jointly by Government and industry and designed to restore the international competitiveness of US chip makers.

Painting a gloomy picture of an industry that has lost its world leadership to Japanese competition, semiconductor executives say that without government assistance they fear for the future. The consequences for US defence could be dramatic, they claim.

"The US military will face a choice of either second best chips, from a weakened US semiconductor industry, or foreign chips. Neither choice is acceptable, to a nation that is dependent upon technology for its military superiority," said Mr Norman Augustine, executive vice president of Martin Marietta Corporation, a major US defence contractor, in testimony before the Senate subcommittee on technology and the law.

In the first formal effort to gain congressional support for Sematech, Mr Augustine chaired a Defence Science Board (DSB) task force that recently reported on the increasing dependency of the US military on foreign chip suppliers. It said government support of the Sematech initiative was critical.

The US Defence Department is expected to support the

Sporck: seeking concensus

industry initiative, which closely mirrors proposals of the DSB task force, but congressional approval of a $1bn budget for the five-year programme may be much more difficult to win.

First the chipmakers must overcome concern that government subsidy of a co-operative venture between competing US companies flies in the face of the US free enterprise system, Sen Patrick Leahy suggested. Funding of the semiconductor manufacturing initiative could set a precedent for other US industries threatened by foreign competition, he warned.

The US semiconductor executives claim, however, that the situation is unique because their products represent the fundamental building blocks upon which the entire US electronics industry — the largest industry in the US — is built and because their products are critical components of weapons systems.

A co-operative government-supported initiative is the only way to counter Japan's government subsidised semiconductor industry, they argued.

Before the Sematech proposal can move forward the US semiconductor industry must itself agree upon details of how the venture would work. Although there is broad agreement within the industry upon the need for a co-operative initiative, executives of the big US producers remain divided about key details.

Some, including IBM. the largest US producer and buyer of chips, favour a small pilot manufacturing project that would develop new technologies which could be used by member companies. Others, including the leading independent chip producers, say what is needed is a high-volume chip production operation since new manufacturing technology can only be proved in this way.

Led by Mr Charles E. Sporck, president of National Semiconductors, industry executives have been trying to reach a concensus on Sematech for the past nine months. Now, under pressure to capture the political momentum behind the President's competitiveness initiative, and following publication of the DSB proposals for a defence-funded "semiconductor manufacturing institute" the industry must present its views.

The Semiconductor Industry Association is expected to unveil an outline of its Sematech proposals this week, although details of size, structure and funding remain to be resolved —even within the industry.

The urgency of the situation is clear. "The competition (Japanese companies) is not standing still," warned Mr Robert Noyce, vice chairman of Intel, one of the largest US chip makers. Delays would only make it more difficult for the US industry to catch up, he said.

Also forcing the pace of the Sematech project, is the imminent deadline for US trade action against Japanese chip makers. Mr Malcolm Baldrige, the Commerce Secretary, this week reaffirmed his determination to impose stiff trade sanctions against Japanese companies that continue to violate the US-Japanese semiconductor trade agreement, signed last year. A decision will be made before the end of the month, he said.

Trade sanctions against the Japanese, which would please US chip makers, could, however, reduce support for Sematech, the industry's congressional supporters warn. Many in Washington would see sanctions as a solution to the industry's problems and would resist further immediate action, they say.

While the semi conductor industry may face a signficant challenge in persuading Congress to approve heavy funding for Sematech, it is clear that the chip makers will at least receive a sympathetic hearing in Washington.

"The semi-conductor industry has garnered enormous congressional support in the past few years," said Sen John McCain, a Republican from Arizona. "There is a perception that they represent the high technology edge of America's industrial competitiveness," he said.

US chip makers must now put their Washington support to the test.

Tokyo spurns EEC call for Gatt panel

JAPAN, with support from the US, yesterday refused to agree to a demand by the European Community that the General Agreement on Tariffs and Trade set up a disputes panel to determine whether the US-Japan agreement on semiconductors violates Gatt rules, William Dullforce reports from Geneva.

The Japanese rebuff sparked off a sharp exchange with Mr Tran Van Tinh, head of the EEC delegation, warning that the situation was "explosive." If the EEC did not get satisfaction, it was capable of blocking progress in the Uruguay Round of trade-liberalising talks, Mr Tran said.

The EEC told the Gatt Council that provision for monitoring Japanese exports to third countries included in the US-Japan accord deprived it of the basic right to decide for itself on anti-dumping action.

The EEC did not believe that Japanese proposals for opening up their domestic semiconductor market to imports would be non-discriminatory.

Mr Minoru Endo, the Japanese minister in Geneva, said Tokyo had already given full explanations to the EEC bilaterally. There was no discrimination in access to the Japanese market and its surveillance of export pricing by Japanese chip producers would help European countries prevent dumping rather than interfere with anti-dumping action.

Against Japanese and US opposition there is little that the EEC can do within Gatt to get a disputes settlement. Several other delegates yesterday argued that the US-Japan accord may have collapsed entirely before the next Gatt Council meeting on April 15.

HK protests about US textile bill

By William Dullforce in Geneva

HONG KONG protested strongly yesterday to the tcouncil of the General Agreement on Tariffs and Trade (Gatt) about new import-restricting legislation on textiles and clothing tabled last month in the US Congress.

The Textile and Apparel Trade Bill submitted by Congressman Butler Derrick with strong support from the US industry was "blatantly protectionist," Mr Michael Cartland, head of the Hong Kong delegation, said.

He was backed by none other than Mr Michael Samuels, the US deputy trade representative, who said Hong Kong's views were entirely consistent with those of the Reagan Administration in Washington. He was glad that so many Gatt delegations had joined the US Administration in opposing protectionist legislation in Congress.

If enacted the bill would have serious implications for the current Uruguay Round of trade talks, Mr Cartland said. It clearly violated the standstill commitment under which the US and all other participating countries undertook not to introduce new measures inconsistent with the Gatt during the round.

The bill was already winning support in Congress under the claim that it was a more reasonable measure than the Jenkins Bill on textile and clothing imports vetoed by President Reagan last year, Mr Cartland said.

In fact there was nothing about the bill consistent with Gatt or the MultiFibre Arrangement governing world trade in textiles.

The healthy state of the US textile industry was reflected in statistics showing that the production index for textiles rose to 111 in the first quarter of 1986 against 99 for the same quarter a year earlier. The index for clothing had risen from 115 to 117.

China submits Gatt application

CHINA YESTERDAY formally submitted a memorandum on its foreign trade regime to the council of the General Agreements on Tariffs and Trade and asked it to start the process by which it can rejoin the world trade organisation, **William Dullforce reports from Geneva.**

The council agreed to set up a working party to negotiate China's membership but left it to Mr Alan Oxley, its Australian chairman, to consult others on the proper procedure after India had pointed to the need to clarify the legal basis for the application from a former member. China quit Gatt in 1950 after the Communist regime came to power.

Pan-Arab commercial TV plan

BY RICHARD JOHNS

A PAN-ARAB television service financed by advertising and involving expenditure on programmes of at least $2.5bn over five years should start transmitting programmes by satellite at the end of 1987, according to Mr Ziad Mango, the Jordanian entrepreneur responsible for the scheme.

Development Office Company, his Amman-based holding company, last year leased capacity for a renewable five-year period with the two satellites launched for the Arab Satellite Organisation in 1985. The satellites were launched by US shuttle and Ariane, at a cost of $40m.

The company's subsidiary, Arab Spacescene Corporation (Arspaco), has so far had approval for the project from all 12 governments approached of a total of 21 which are shareholders in Arabsat.

The programmes will lay heavy emphasis on education and culture, including the eradication of illiteracy.

Mr Mango said: "Which Arab governments are going to be prepared to invest in excess of $2bn? None. As a result it was agreed that the only way to cover the cost would be to allow commercial advertising."

Theoretically, the catchment area of the Arab world would provide a market of 120m viewers.

"Provided our projections are right the project will be self-financing from the end of 1987." Projections and estimates had been drawn up by a UK firm of accountants, he added.

Mr Mango is convinced that a programme package acceptable to all Arab states from puritanical, conservative Saudi Arabia to liberal, sophisticated Tunisia can be devised.

He puts the development costs to date from his own company's funds at $68m, and has invited other Arab investors to join the project. Mr Mango has also co-opted 18 executive directors to Arspaco's management board.

Initially Arspaco is buying material which will be dubbed into the Arabic language, and programmes from Arab national stations. The company has reached purchasing agreements with Britain's International Television News and Scottish TV, and is talking to several other Western companies, including RAI of Italy.

By the summer of 1988 Arspaco plans to start producing its own programmes and sees the UK as its main base for its own productions. It will be setting up its own production facilities in the UK.

Offices are being set up in Tunis, Riyadh, Amman, Rabat and London.

Diesels take 17.2% of West Europe car market

BY JOHN GRIFFITHS

JUST LESS than 2m diesel-engined cars were sold in Western Europe last year, representing a record 17.2 per cent of the new car market and a 17.8 per cent increase in unit sales.

Four out of five of the extra 296,846 sales were made in West Germany, where the environment and car exhaust emissions continue to be major issues.

Diesel cars "were clearly seen as a less drastic alternative to the increasingly available petrol-powered car with catalytic converters," concludes a market analysis by consultants Automotive Industry Data (AID).*

The effect was to produce a 46.14 per cent increase in West German sales, to 775,637 from 530,702, to make it Western Europe's largest diesel market by far.

But there were wide variations in individual markets, with Scandinavia and Spain among those experiencing a downturn in the diesel's popularity.

Relatively cheap oil prices seem to have spurred renewed interest in the higher performance offered by petrol engines at the expense of diesels in these markets, suggest AID.

Austria and Switzerland, also preoccupied with the exhaust emissions issue, saw sales growth of about 30 per cent.

The 17.33 per cent increase in diesel car sales in the UK appears to reflect British buyers' relatively late entry into the diesel sector, and still-growing awareness of the diesel's fuel economy advantages.

AID forecasts that growth will be sustained in many countries, not least because "industry analysts appear united in the view that the days of ultra-cheap fuel could soon be over, possibly coinciding with the end of this decade."

* *AID Newsletter, 34 St. John St, Lichfield, Staffs, England, WS13 6PB. £230 or $375 p.a.*

Grey market in West German cars wiped out

By Kenneth Gooding, Motor Industry Correspondent, in Geneva

THE "grey" market for West German cars in the US—those imported through unofficial channels—has been wiped out by last year's fall in the value of the dollar against the D-mark, said Mr Werner Breitschwerdt, chairman of Daimler-Benz, West Europe's largest automotive group, yesterday.

When the dollar was strong up to 20 per cent of the group's Mercedes cars registered in the US were imported through the unofficial channels at prices below those charged by the authorised network.

The trade seriously distorted the West German car market because many of the US imports were not new. Demand from the US for good quality used Mercedes pushed up second hand values in Germany

US makes soft loan to Indonesia

THE US Export-Import bank has signed a $100m soft loan with Indonesia, it was announced in Jakarta yesterday, **John Murray-Brown reports from Jakarta.**

The US thus becomes the latest country to offer concessionary finance to Indonesia in a bid to win export orders. The terms of the loan have yet to be announced.

It seems likely, however, to be consistent with Indonesian demands that all soft finance be repaid over 25 years with seven years grace and interest at 3.5 per cent.

A US embassy statement said the loan will be "targeted for purchases of high technology goods especially in the power generation, electronic, telecommunications and computer sectors."

The US is keen to match concessionary bids made by other governments particularly Japan in areas where it has been losing its market share. Up to 40 per cent of loan is likely to be financed by the so called war-chest—a two year $300m fund set up by President Reagan last October, expressly to challenge rival bids in large Third World contracts. The use of so-called tied credits, has been at the centre of a raging trade dispute between industrialised countries.

UK NEWS

John Griffiths reports on the healthy revival of an industry that went flat

Life pumped into the tyre trade

THE UK TYRE industry, almost flattened by £550m in collective losses during the five years to the end of 1983, is having new life pumped into it at a prodigious rate.

These are just two examples: Goodyear has invested £30m in its UK production operations during the past 12 months;

Pirelli announced last November a £35m investment, to be spread over several years, in automated car tyre-making processes, on top of a £12m investment already under way in truck tyre facilities.

The more healthy shape the industry is assuming has been achieved at a high cost.

Thousands of jobs have gone since the end of the 1970s. A string of manufacturing plants has closed. Firestone has withdrawn from UK manufacturing altogether. Dunlop has been broken up, with its tyre operations in the UK and in continental Europe now owned by Sumitomo Rubber Industries, Japan's third largest tyre company after Bridgestone and Yokohama.

As recently as last November Avon, based in Swindon, and the last independent UK tyre manufacturer, announced that over 700 workers, a third of the total, were to lose their jobs in the pursuit of higher productivity.

"But I think Avon's action was probably the last of any size," according to Mr Lou DiPasqua the chairman and managing director of Goodyear's UK subsidiary.

There was a certain irony in Mr DiPasqua's remarks. They coincided with an announcement that Goodyear itself was making another 145 people redundant.

But Goodyear's action was part of a traumatic, global corporate belt-tightening to underwrite the £90m cost of the abandoned corporate raid on Goodyear by Sir James Goldsmith and his cohorts.

Even now, no-one in the UK tyre industry is about to lodge any claims to world leadership in productivity. But the base does appear to have been laid for an internationally competitive future.

Arguably the biggest transformation has taken place at Dunlop. As a senior executive of one of its rivals declared: "We all had a lot of fun kicking Dunlop around for four or five years. We all made our contributions to the bad years, but Dunlop was the biggest loser.

"But Sumitomo? They're going to be very tough competitors indeed. Any resemblance between them and the old company is entirely coincidental."

"Genchi genbutsu" has become the catch-phrase of Sumitomo Rubber Industries, according to Mr Shizuo Katsurada, SRI president. For those in the West who have not been in the immediate front line facing any sectoral onslaught from Japan, it translates as a philosophy of combining new awareness of customer needs globally with all necessary action to satisfy them promptly.

Its application to the UK subsidiary, renamed SP Tyres, and to Continental European plants has already had remarkable effects. This is particularly so given that, unlike the Japanese norm of joint ventures or greenfield operations, Japanese production techniques and management have had to be superimposed on old-established, formerly even ramshackle, UK factories.

Since the 1984 takeover, more than £15m a year in investment has gone in, with annual productivity gains of 15-20 per cent. The downside is that now only 2,500 work for a company which at the start of the 1980s employed four times that number.

This year, SP Tyres is back in profit. Even before the sharp appreciation of the yen against the dollar, Sumitomo had begun to use UK plants to supply tyres to the US market previously exported from Japan. Mr Gregory Wand, SP's sales and marketing director, forecasts further sharp growth in US exports this year.

When asked why the same achievements could not have been made pre-Sumitomo, the new Japanese executives and survivors of the old regime blame poor overall management. There was a lack of communications with workers, ill-defined goals and customers were told what they should buy, and not necessarily provided with what they wanted.

Yet, even if SP has undergone a transformation, its productivity levels are still only about half those of SRI's plants in Japan. Its French, West German and US sister companies have a similar gap to close.

If and when all the practices and technology needed to close it are transplanted, a daunting prospect is raised for European rivals.

Sumitomo's Nagoya plant, for example, is a strong challenger as the world's most efficient:

Only 1,100 people are needed for a daily output of 31,500 car and truck tyres, in about 200 sizes and types, and in batches as few as 200.

Although belts still have to be fitted by hand, car tyre casings otherwise can be produced automatically. Typical wastage level, as a percentage of standard material cost, is around 0.8 per cent, whereas most European producers are accustomed to 2 to 3 per cent.

Nevertheless, European producers insist they can adjust and cope.

Pirelli's UK investments are also in flexible, automated assembly lines which by 1992 will increase productivity by 50 per cent, according to Pirelli UK's managing director, Mr Sandro Veronesi. They are not expected to produce redundancies among the 1,500 employees, because higher production is expected.

The £35m investment is being made as Pirelli celebrates its best year yet in the UK, with a record pre-tax profit of over £7m being forecast after £5.8 in 1985. The company had come close to closure by its Italian parent in 1982, when losses reached £12m. The UK operations, says Mr Veronesi, are now ranked by its parent, under a closely defined assessment scheme, as the second most productive of Pirelli's plants worldwide.

A key element in Pirellis' recovery has been the focus on higher performance tyres like P600 and P700, which command premium prices even though 45 per cent of the UK replacement tyre markets is catered for by cheap, mainly East European, imports.

Goodyear also has been through the fire. It now employs 6,000 in the UK, which contributes 4.5 per cent of the company's world turnover, although only 4,000 of these are involved in manufacturing, at Goodyear's only surviving production plant, in Wolverhampton.

Goodyear also had plants at Glasgow and Ballymena, Northern Ireland, but these were closed several years ago.

"We've been making money for the past three-four years," said Mr DiPasqua, "we had the deepest part of our recession earlier than others." It needed profits because it lost £70m to £80m over a traumatic, five-year period.

"Our position in the UK tyre industry now is encouraging – we've come a long way in a short period of time," says Mr DiPasqua. "But we still need to do some trimming."

Even though the returns for the UK industry have improved, he points out, "they're still not good enough."

Currently, Goodyear is operating a seven-day week on truck tyres, and is exporting about 40 per cent of output, mainly to sister companies on the Continent, while large truck tyres are being exported to the US.

Investment is exclusively in new production systems. "We've built in a lot of new efficiency – but then we had some catching up to do." Mr DiPasqua thoroughly agrees with Pirelli about the importance of relatively price-insensitive premium products in the marketplace – Goodyear's high performance car tyres, the Eagle range, "have become very important to us in profitability terms."

However, he says, "competition is very formidable, and anyone who wants to stay in the game has got to focus on long-term planning. If we have an Achilles heel, it is dealing with the long-term."

Productivity measures still need markets from which to benefit and, according to Mr Chris Dickson, a senior marketing executive with Uniroyal, "at last there's some order coming into the business after all the tough times".

(For Uniroyal UK, those tough times have included the collapse of its US parent and the UK company's subsequent acquisition by Continental.)

The rewards in the UK alone are considerable: The replacement market is estimated by Mr Dickson to have been worth £1bn last year, and original equipment £100m.

What is responsible for the positive trends? One factor is raw material prices; the sharp fall in the price of oil, on which synthetic rubber is largely based, is improving profitability.

Sterling's slide against most Euro-currencies is making the UK a more favoured source for tyres and increasing demand from car makers in the UK is also playing a part.

The market itself is increasing in size. Last year saw a record 1.88m new car sales. There is a sizeable body of opinion, including the Economist Intelligence Unit, which forecasts a possible 2m-plus market by 1990-91.

In the inevitably far larger replacement tyre market, continuing growth in the 18m UK vehicle population is also a cause for optimism among tyre producers.

An indication of the more stringent demands being made by car makers is the recent introduction of a new category of tyre, the TR, capable of handling vehicle speeds up to 120mph.

It is expected largely to take over from the SR tyres, rated at up to 113mph and which account for about 75 per cent of sales. Even fairly mundane small hatchbacks and saloons are now capable of performance close to the SR's rating limits.

Catering to the fast-changing demands of the marketplace will stretch R & D and technology resources of the tyre industry to the utmost, Mr Dickson says.

Car tyres – original equipment (m)

1984	1985	1986	1987*	1990*
5.18	6.01#	6.0#	5.79	6.67

* forecast; # includes 500,000 units of exports

Car tyres – replacement (m)

	1984	1985	1986	1987*	1990*
Gross mkt	15.3	16.7	16.8	17.0	17.6
Of which:					
UK produced	9.9	10.5	10.2	10.3	11.0
Imports	5.4	6.2	6.6	6.7	6.6
Parallel exports+	0.6	1.6	2.0	2.0	2.0
Net mkt	14.6	15.1	14.8	15.0	15.6
Imports (%)	37	41	45	45	42

* forecast; + exported by UK-based retailers and distributors independent of manufacturers

Source: British Rubber Manufacturers' Assn; Uniroyal Tyres.

Truck tyres – original equipment (,000s)

1984	1985	1986	1987*	1990*
494	536	527	456	360

Truck tyres – replacement (m)

	1.87	1.91	1.94	1.76	1.83
of which:					
UK produced	1.31	1.34	1.20	1.08	1.08
Imports	0.56	0.58	0.64	0.69	0.76
Parallel exports	0.05	0.11	0.13	0.05	0.05
Net mkt	1.81	1.83	1.64	1.71	1.78
Imports (%)	31	31.5	39.2	40.2	42
plus:					
Retreads	0.88	0.93	0.92	0.93	0.95

* forecast; †† tonnes and over

Source: British Rubber Manufacturers' Assn; Uniroyals Tyres

Offshore industry orders slide

By Lucy Kellaway

THE VOLUME of orders received by the struggling offshore construction yards fell by nearly half to £300m in the first nine months of last year compared to the previous year, according to preliminary figures released by the Department of Energy to the House of Commons Select Committee on Energy.

In the same period, expenditure on exploration and appraisal drilling fell even more sharply from more than £250m to about £75m. All other categories of expenditure also showed a decline, expect for spending on submarine pipelines, which rose by more than a third to £130m.

Nevertheless, Mr Alick Buchanan-Smith, Energy Minister, yesterday presented a relatively cheerful view of the offshore industry to the committee, which is investigating the effects of the fall in the oil price on the North Sea industry.

He said activity continued at a high level, but he gave a warning that the future depended on oil companies finding cheaper ways of carrying out new developments. He indicated that this would be the main way of improving the economics of oil developments, rather than through any changes in the oil tax regime.

He restated the department's view that the present tax system did not make developments unprofitable that would otherwise be so, and pointed out that the cash flow of oil companies had already been improved by the announcement last autumn that Advance Petroleum Revenue Tax would be repayed early.

Treasury seeks bar on power station ordering

BY MAX WILKINSON, RESOURCES EDITOR

THE TREASURY is trying to prevent the electricity industry from ordering a batch of new nuclear and coal-fired power stations soon after work has been started on the Pressurised Water Reactor (PWR) at Sizewell B, Suffolk, on the east coast of England.

Permission to build the controversial PWR at Sizewell, is expected to be given in the next week or two. An announcement by Mr Peter Walker, Energy Secretary, could be made in parliament as early as next week.

The Treasury agreed to the project only with reluctance because of its high capital cost (about £1.6bn) and doubts expressed in some quarters about the economic advantages of nuclear power in a world of much lower coal and oil prices.

The Department of Energy argued that even on the pessimistic assumption that electricity from Sizewell B were to prove as expensive as from coal, it would still be worth building in order to spread the economic risks in power generation.

As a compromise, the Treasury said Sizewell B could go ahead, but the Central Electricity Generating Board (CEGB) should be told to scale back its ambitions to start immediate planning this year for a mixed family of nuclear and coal-fired stations.

The Treasury said it was sceptical whether eight to 10 new power stations would be needed by the end of the century, as the electricity industry claimed. The CEGB wants half of them to be nuclear, but the Treasury has been alarmed by the potential cost, which could put a heavy load on the Public Sector Borrowing Requirement, or make the industry seem much less attractive to the stock market if it were privatised.

Building eight new power stations at a cost of perhaps £10bn could absorb a large part of the industry's cash flow up to the year 2000, perhaps all of it, especially if it continues its present policy of holding down electricity prices in real terms.

The Treasury may also be looking ahead to the possibility of a renewed squeeze on public spending after the next general election. It has, for example, questioned whether the CEGB's planning margin of 24 per cent is too generous. The planning margin is the over-capacity required at peak periods to take account of breakdowns and repair work to ensure that power remains.

The Treasury may also question whether the present 5 per cent rate of return used for planning is too low. A low figure favours the building of nuclear stations in economic calculations.

In spite of these arguments, senior ministers appear convinced that a fairly large power station building programme will be necessary to replace plant which will soon be wearing out, including the Magnox reactors, the first generation of gas-cooled nuclear stations.

Mr Walker is certain to argue in favour of a family of four or five nuclear stations. He will point out that future stations should be significantly cheaper than Sizewell B, because much of the design work has now been done, and manufacturing costs would benefit from experience, as has happened in France.

The electricity industry will argue strongly that it must start planning at once for a major expansion of its building programme if it is to avoid the risk of power cuts after 1995.

'Triumph' for UK tourism in 1986

By David Churchill

A SHARP slump in the number of North American visitors last year – caused mainly by fears of terrorist activity and the affects of the Chernobyl accident in the Soviet Union – failed to deflate the British tourist industry which yesterday reported its second best year on record.

The number of overseas visitors in 1986 was some 4 per cent down on 1985, the record year, at 13.836m. This was mainly due to a 24 per cent fall in the number of visitors from the US and Canada.

The £5.457bn spent by overseas visitors in the UK last year was, however, marginally ahead of the £5.451bn spent in 1985.

Mr Duncan Bluck, chairman of the British Tourist Authority, was in a jubilant mood after releasing the figures. "They are a resounding triumph for British tourism, showing that the industry has successfully overcome the well-publicised but temporary problems experienced in the summer of 1986.

If 1987 proves to be as good as expected, up to 50,000 new jobs would be created in tourism, Mr Bluck forecast. Some 24,000 new jobs were created in the nine months to September last year to bring the total directly employed in tourism to 1.4m

The recovery in tourism last year was emphasised by the fourth quarter figures also released yesterday. The number of visits from overseas residents was 6 per cent higher than in the same quarter of the previous year. This was largely because of a 14 per cent increase in visitors from Western Europe and a shortfall of only 4 per cent in the numbers from North America.

Overseas governments urged to treat Mercury as equal of BT

BY DAVID THOMAS

THE OFFICE of Telecommunications (Oftel) is starting a campaign backed by the Government to persuade overseas telecommunications administrations to accept Mercury Communications as a competitor to British Telecom in international business.

In its first statement directly concerned with the rules governing international traffic, issued yesterday, Oftel, the regulatory body for the UK telecommunications industry, says it wants an overseas administration to send traffic to each of the UK companies in the same proportion as the traffic it receives from them.

The Department of Trade and Industry is to send a summary of Oftel's statement to foreign governments asking them to treat Mercury fairly. The Government might apply diplomatic and other pressure if they fail to do so.

The Oftel statement is part of a code of practice on the international exchange of voice, data and telex traffic issued because BT and Mercury could not reach a voluntary agreement.

Professor Bryan Carsberg, Oftel director general, said: "It is central to the process of liberalisation, and to the successful establishment of competition in international services, that support should be given to Mercury in its negotiations."

Mercury has links over its public network with the US, Hong Kong, Bermuda, Bahrain and Belize, but has found it difficult to persuade some administrations, particularly on the continent to agree to do business with it.

Mr Gordon Owen, Mercury managing director, yesterday welcomed Oftel's ruling, which, Mercury believes, will help persuade reluctant continental operators to send traffic to it.

This is important not just because international traffic is fast growing, but also because the operator which carries incoming international traffic almost invariably continues to carry that traffic within the UK until it reaches its destination.

Housing costs help to boost rise in retail price inflation

BY JANET BUSH

INCREASED housing costs, including higher mortgage interest payments, rents, rates and water charges, accounted for about one-third of the total 3.9 per cent rise in retail price inflation last year.

An analysis of the rise in prices during 1986, published in the latest edition of Employment Gazette, shows that the price index for housing rose by 8.3 per cent, the largest contribution to the all-items index of retail prices.

Mortgage interest payments increased by 8.8 per cent, rents by 5.9 per cent and rates and water charges by 12.5 per cent.

Another major contribution to retail price inflation last year came from food prices, which increased by 3.8 per cent. Because of its substantial weighting in the index, this boosted inflation by nearly one-fifth of its total rise.

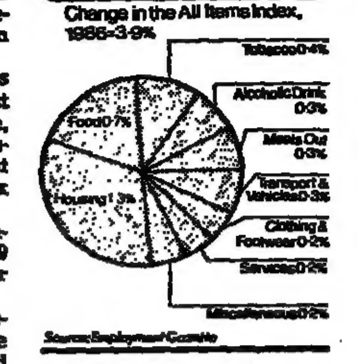
A further key factor was the price of tobacco which rose by 10.5 per cent, mostly because of last year's budget tax increase of 11p on a pack of 20 cigarettes.

In General, there were two main influences on inflation: the sharp fall in world oil prices at the end of 1985, which pushed down the cost of oil and other heating and lighting fuels, and secondly, the depreciation in sterling.

In mid-July, the dollar price per barrel of Brent crude reached an all-time low of $8.50 – less than a third of the peak in the previous November. Prices have since been rising slowly to average $18.4 this January. Other world commodity prices in dollar terms were much the same last year as in 1985.

Retail Price Inflation

Change in the All Items Index, 1986=3.9%



Source: Employment Gazette

Sterling fell by nearly 13 per cent. Sterling import prices for manufactured consumer goods were 10.8 per cent higher in December, 1986, than a year earlier.

The prices of raw materials purchased by manufacturing industry showed relatively little decline but the impact of lower fuel costs led to the overall level of input costs falling.

Overall, inflation in Britain remained above most of its industrial competitors within the Organisation for Economic Development and Co-operation. While Britain's rate rose by 3.9 per cent, inflation in the US went up by only 1.1 per cent and prices fell in West Germany by 1.1 per cent and in Japan by 0.2 per cent.

● The number of working days lost due to industrial disputes during 1986 was 1.9m – the lowest annual figure for 23 years, the Gazette said. But the figures are provisional.

Bank surprised at quick sell-out of gilt issue

BY JANET BUSH

THE BANK OF England sold out £1bn worth of gilt-edged securities yesterday amid growing pre-budget euphorias in London's financial markets.

The success of the new gilt issue, which clearly took the Bank by surprise, partly reflected a strong conviction that short-term British interest rates will fall about the time of the budget on March 17.

The sell-out within hours on its first day of trading poses a dilemma for the Bank of England and the Government. The issue, £1bn of 9 per cent Exchequer stock due 2002, was clearly aimed at putting a brake on the rally in gilt-edged prices which has been gathering pace in recent days but the Bank's tactic has failed.

The British authorities have made strenuous efforts in recent weeks to keep financial markets calm and quiet in the run-up to the Budget and to dampen the growing sense of optimism which has pushed equities, gilts and sterling higher.

The Bank of England has consistently relayed strong signals to the domestic money market that it is not prepared to see base lending rates fall yet. It has also continued a policy of selling sterling in the foreign exchange market, partly to replenish official foreign currency reserves but also to "take the froth" off the pound's strong rally.

After the Bank announced the stock had been sold out, gilt-edged prices soared even further to end the day up to two percentage points higher, believed to be the largest one-day gain since the deregulation of the market on October 27 last year.

Standard Life to offer pension mortgage plans

BY ERIC SHORT

STANDARD LIFE, Scotland's largest and one of Britain's leading life companies, is to offer pension mortgage facilities to employees in company pension schemes arranged by the company.

The move seems certain to prompt other major life companies to enter the pension mortgage business. With a pension mortgage the housebuyer pays interest only during the term of his mortgage, and pays it off at retirement from the tax-free cash sum available in the benefit package.

Pension administrators have been wary of these schemes up to now, but Standard's entry into this sector will almost certainly lead to a revision of opinions.

Prudential and Legal and General said they would be studying Standard Life's scheme closely.

Midland Bank profit up 24% to £434m

BY DAVID LASCELLES, BANKING EDITOR

MIDLAND BANK reported a 24 per cent increase in profits to £434m yesterday, ending the Big Four retail banks' 1986 results season which saw profits rising to record levels.

The total results of the banks suggest that the cost of acquiring businesses and equipping them for the Big Bang deregulation of financial markets, as well as the operating losses sustained so far, exceed £200m. However, all the banks say this is an important investment for the future, and that they confidently expect it to pay off.

The Big Four combined earned a total £3.04bn before tax, an increase of 19 per cent on 1985, including the first £1bn – plus profit from NatWest, the largest bank.

Midland's results were the first reported by Sir Kit McMahon, the former deputy governor of the Bank of England who took over as chief executive last September. They also mark Midland's emergence from a traumatic period of losses sustained by the Crocker National Bank.

UK BANK PROFITS (PRE-TAX £m)

	1986	1985	% rise
Barclays	895	840	6.5
Lloyds	700	561	25
Midland	434	351	24
NatWest	1,011	804	26
Total	3,040	2,556	19

However, Midland surprised the City of London yesterday by not making a widely-expected rights issue to replenish its capital resources. Although the group is not as strongly capitalised as some other banks, it sees no pressing need to call on shareholders for more cash. This prompted a sharp rally in Midland's shares, which closed at 632p, a gain of 13p.

Sir Donald Barron, the chairman whom Sir Kit will be succeeding in May, said the results showed "the gap with our peers is still there. But it's closing and we intend that that should continue. We have put the past behind us."

Lex, Page 14; Banks count the cost. Page 34

Commodore launches its computer comeback

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

COMMODORE, the US personal computer group which ran into a severe financial crisis two years ago, launched two new machines yesterday in an attempt to rebuild its sales in both the home and business computer markets.

The two new products, introduced under the Amiga brand name which Commodore first employed two years ago, were unveiled in Europe to coincide with a trade show in Hanover, West Germany. The launch underscores the importance of the European market to Commodore, which claims to be among the top three personal computer producers in most countries in the region.

In common with the original Amiga 1000, the two new machines have dazzling colour graphics and the flexibility to perform a number of functions simultaneously. But, unlike the 1000, they will each be aimed at different markets. The Amiga 500, priced at just under £500 for the basic unit, is designed to appeal to the home computer enthusiast, and the more powerful Amiga 2000, costing slightly below £1,100, will be aimed at the business market.

Mr Chris Kaday, managing director of Commodore UK, said yesterday that the company expected that the new Amiga 500 would enable it to build on its former success in the home computer market with the Commodore 64 model.

The group as a whole, he added, had achieved financial stability by reducing its costs through workforce and inventory reductions. In the last three quarters, Commodore has been back in profit.

Merchant fleet declines

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE UK-OWNED and registered fleet of ocean-going merchant ships has fallen below 10m tons deadweight for the first time this century, the General Council of British Shipping said yesterday.

The council, which represents 145 British shipowners, said figures to be released shortly would show that the fleet fell to just over 500 ships of 500 gross tons or more each in December, compared with 523 ships of 10.1m a total of tons deadweight in November. This compares with a peak of 1,614 ships totalling 50m tons deadweight in 1975.

The figures are intended to step up pressure on Mr Nigel Lawson, Chancellor of the Exchequer, to improve capital allowances for shipping in the Budget, due on March 17.

GCBS officials have met Mr Lawson to press their view that the decline is partly a result of the removal of 100 per cent capital allowances for ships.

The GCBS is pressing for a 50 per cent allowance for investment in new or secondhand ships, together with roll-over relief for tax allowances on the sale value of written down ships.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1985							
3rd qtr.	108.3	103.9	104	116.1	145.2	3,124	164.4
4th qtr.	108.4	103.6	106	116.7	177.7	3,122	168.2
1986							
1st qtr.	109.1	102.8	105	118.2	145.4	3,171	166.5
2nd qtr.	109.3	103.5	105	120.0	152.7	3,205	175.6
3rd qtr.	110.8	104.6	106	122.1	157.4	3,212	200.2
4th qtr.	109.6	105.6		124.8	192.5	3,143	213.0
June	107.7	103.4	108	121.7	155.4	3,220	184.4
July	110.2	104.5	105	120.9	158.2	3,223	193.2
August	111.1	104.2	103	122.0	155.2	3,219	201.1
September	110.5	105.0	113	122.2	158.7	3,193	206.4
October	109.7	105.1	106	123.2	164.7	3,166	212.5
November	109.7	105.6	116	126.4	182.1	3,145	215.2
December	109.0	106.0		125.0	222.2	3,119	210.0
1987							
January				121.7		3,119	210.2

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
4th qtr.	102.7	102.7	112.5	103.2	114.0	102.4	15.6
1986							
1st qtr.	102.0	101.4	115.4	101.4	110.2	102.6	14.2
2nd qtr.	104.4	100.6	115.5	102.0	110.0	103.4	19.8
3rd qtr.	105.7	101.2	117.2	103.1	107.7	102.0	18.9
4th qtr.	107.1	101.1	114.5	103.9	116.1	102.8	15.2
June	104.4	100.2	112.6	101.0	111.0	104.0	21.5
July	105.4	101.2	116.5	103.0	109.0	101.0	20.8
August	105.8	100.5	118.5	102.6	107.0	102.0	16.6
September	105.9	101.9	116.7	104.0	107.0	102.0	19.4
October	106.1	101.2	115.4	103.0	112.0	102.0	20.5
November	108.1	100.8	114.7	104.6	117.0	104.0	15.4
December	107.0	101.3	113.5	105.0	119.0	102.0	9.7

EXTERNAL TRADE—Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1985							
4th qtr.	118.6	128.0	−171	+725	+1,984	101.6	15.54
1986							
1st qtr.	117.5	124.9	−1,227	+759	+1,889	101.0	18.75
2nd qtr.	121.9	128.8	−1,551	+383	+772	102.6	19.29
3rd qtr.	122.6	128.5	−2,873	−620	+646	102.1	20.14
4th qtr.	130.5	143.4	−2,602	−892	+846	100.8	21.97
July	125.7	136.2	−859	+ 92	+230	102.4	19.08
August	115.9	139.9	−1,283	−632	+150	102.6	18.93
September	126.2	139.3	−831	− 80	+258	102.3	22.43
October	127.0	139.6	−715	−115	+226	101.5	21.99
November	132.8	146.7	−1,000	−490	+354	100.9	22.01
December	131.6	143.9	−887	−287	+266	100.1	21.92
1987							
January	125.0	131.2	−527	+ 72	+371	100.2	21.95
February							22.26

FINANCIAL—Money supply M0, M1 and sterling M3 (three months' growth at annual rate), bank sterling lending to private sector; building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1985							
4th qtr.	2.9	17.0	12.9	+5,278	2,299	3,438	11.50
1986							
1st qtr.	4.1	21.4	19.3	+8,203	2,229	7,375	11.50
2nd qtr.	3.1	25.9	27.3	+6,450	1,423	7,730	10.00
3rd qtr.	5.9	39.7	15.5	+6,942	168	8,223	10.00
4th qtr.	7.6	15.6	14.1	+10,836	2,814	3,201	11.00
July	5.4	35.1	20.6	+3,314	387	2,685	10.00
August	5.7	22.0	8.2	+2,750	452	2,608	10.00
September	6.6	35.5	18.2	+878	−671	2,870	10.00
October	6.3	20.3	14.9	+3,520	1,951	2,759	11.00
November	6.4	29.5	13.3	+3,875	100	2,635	11.00
December	11.0	−1.1	8.5	+2,991	763	2,807	11.00
1987							
January	10.8	17.1	12.6	+1,745	456		11.00
February							11.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1985							
4th qtr.	176.9	132.6	141.4	378.1	337.4	1,771	79.8
1986							
1st qtr.	179.1	122.4	143.4	380.8	343.3	1,813	75.1
2nd qtr.	184.0	125.8	145.7	385.7	349.5	1,453	76.1
3rd qtr.	187.4	120.8	146.3	386.1	348.1	1,544	71.9
4th qtr.	191.0	127.3	147.4	391.0	348.3	1,637	68.2
July	187.9	119.8	146.0	384.7	347.4	1,480	74.0
August	187.2	120.2	146.1	385.9	348.6	1,461	71.4
September	188.8	122.4	146.7	387.8	348.3	1,544	70.4
October	188.2	124.3	147.0	388.4	347.6	1,600	67.8
November	191.2	127.5	147.4	391.7	347.5	1,617	68.5
December	193.4	130.2	147.9	393.0	349.8	1,637	68.4
1987							
January		131.5	148.9	394.5	354.0	1,604	68.8
February						1,586	69.0

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

Early and not so early warnings

Feona McEwan reports that the UK is in the vanguard of efforts by governments around the world to publicise the threat of AIDS

THE devastation that could arise from the AIDS threat has propelled advertising into the frontline of civil defence around the world. In the absence of a cure, governments from Norway to the Soviet Union, France to Japan, are putting their faith in early warning public health campaigns as the most efficient way of alerting citizens to the virus and by so doing halt its advance. It is preventive medicine at its crudest level.

Britain, for all its reputedly prudish ways, appears to be in the vanguard of the global health warning drive along with Scandinavia and Australia. Agency TBWA, which has masterminded the Government's campaign, has received enquiries from around Europe and the Americas, as people look to learn from the British experience.

A number of cities, including San Francisco, New York, Sydney and Berlin, have taken their own initiatives, but relatively few national governments (given the inroads already made by the disease) have yet found the mettle to confront this squeamish issue head-on.

Nor has Britain necessarily got it right yet. The cinema and television commercials featuring abstruse icebergs and monoliths have come in for *much criticism*. *Ineffectual*, say many, not enough facts, more appropriate to an insurance company or an epic car campaign than a killer disease. The absence of people in depicting a "people problem" probably doesn't help.

Ultimate effectiveness of the campaign, which has undoubtedly done much to raise awareness, will be judged on its ability to change sexual behaviour. Since the message is to use a condom if in doubt, one indicator would be a rise in UK condom sales.

Latest figures from UK brand leader Durex show no significant increase, though figures for the most recent two months are eagerly awaited. By comparison the US, which is about three years ahead of the UK in the disease and has no national advertising campaign, has experienced a distinct rise in condom sales.

Britain's health minister Norman Fowler stoutly maintains that in four months the blitz campaign, the biggest of its kind since the Second World War, has achieved a lot. It has also broken a few taboos on the way; for the first time in 30 years the word condom is allowed on screen. (In the context of AIDS condoms are lifesavers rather than contraceptive devices; they are one of the only real means of prevention against the disease.)

Apart from the TV and cinema ads, the campaign has been pretty explicit. Press ads, radio commercials and ads in teenage magazines warned high-risk groups with a directness that would have shocked on TV. "An infected man has it (the AIDS virus) in his semen . . . an infected woman has *it* in her vaginal fluid . . . so remember the more partners the more the risk . . . so always wear a condom," and so on. These *campaigns, together with* posters and factual leaflets to every home in the land have absorbed £8m so far of a £20m budget.

Criticism of the Government's creative approach had led other UK agencies — rival agencies always believe they know better — to offer up alternative (and unused) AIDS campaigns.

SSC&B Lintas used the controversial Wicked Willie cartoon which takes a humorous approach to encourage condom usage. "Keep me covered . . . I'm going in . . ." on the basis that advertising can make people *want* to change sexual habits rather than tell them they have to.

Perhaps the most arresting ad came from Young & Rubicam. A young man is *lying* in bed with a girl. "Who were you sleeping with last night?" asks the voiceover. "Don't know," is the reply. Next shot, same man, different girl—same question, same answer. Final shot, he is alone in a hospital bed. The doctor by his side is asked if there is anything he can do. "Don't know," he replies.

Besides the advertising, regular editorial attention has escalated in recent months and this week the UK is in the grip of an unprecedented joint initiative by rival television stations—an AIDS week of factual, informative and entertaining programmes.

The tracking study of the ad campaign done by Gallup for the Central Office of Information shows that the basic facts of transmission of the disease are understood by a majority.

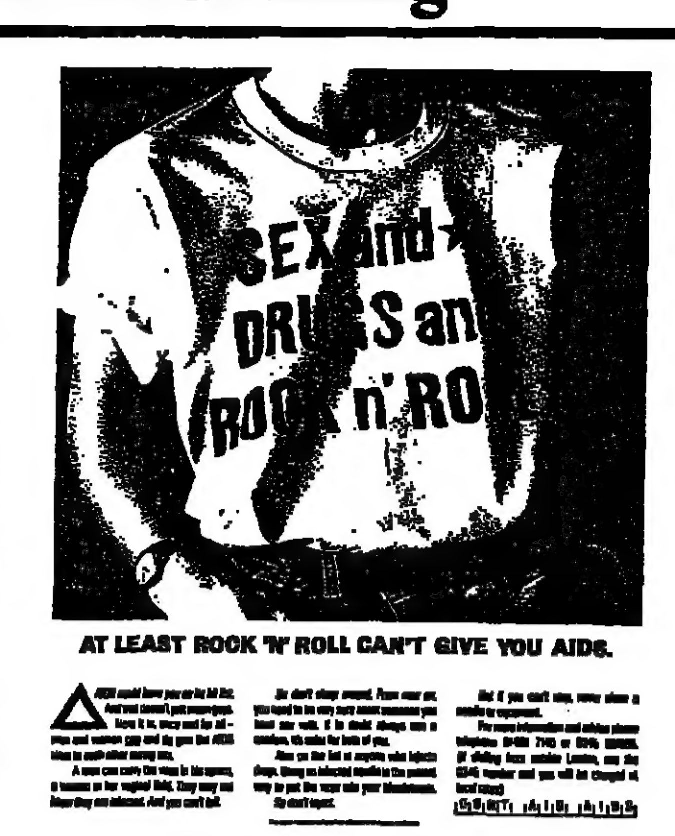
But changing people's behaviour—*sexual behaviour* at that—with such public service advertising is devilishly difficult, as illustrated by the drink/drive, anti-heroin and seat-belt campaigns which required repeated airings to have any effect.

A survey of 18 to 24-year-olds conducted by Marplan at the weekend for Sunday Today newspaper, revealed that 53 per cent said their attitudes to sex had changed. But asked in what way their behaviour had changed, 15 per cent said they'd *given up casual sex*, *36* per cent said they were sticking to one partner and just 2 per cent said they were using condoms.

Whatever else, the campaign *has undoubtedly fuelled the* debate. In the early days, the Government is known to have been divided on the issue with considerable internal agonising about the best way forward. In deliberately sidestepping any moral or ethical issue—patronising or moralising tones would only alienate the high risk target groups—it probably took a softer line to start with (certainly on television), preferring to react to public opinion than to lead it.

Fowler promises the next phase of TV ads will give the facts more explicitly. Attention is expected to return to high risk groups.

The trick for the advertisers now *will* be to keep the public's attention, especially after the week of saturation on the subject. "The main issue now that people by and large know the facts, is to get individuals to believe they are themselves at risk because until they *do* they won't alter their behaviour," says Saffmy Harari of TBWA.



Part of the UK government's campaign

Growing recognition of a lethal problem

SO what is happening where?

● Kenya. Official cases are given as 250, with 39 deaths to end of 1986. Government oscillation on the issue, mindful no doubt of the tourist trade, and outrage at "sensational" reporting by the foreign press has created a confused picture. At the end of last year, a poster appeared containing information about who can get AIDS. Along with prostitutes, it listed "those who have sex with strangers or people they do not know their backgrounds (sic), homosexuals . . . sexual maniacs . . . drunkards and drug addicts" . . . with the advice "Man stick to your beloved wife. Woman stick to your beloved husband." *Occasional advice is given on* TV and radio but this is unorchestrated.

The Kenya Red Cross Society, supported by the Norwegian equivalent, and approved by the Ministry of Health has just launched its own campaign. Some 700,000 leaflets have been delivered to bus *stops*, bars and *in* newspapers along with 17,400 posters and 9,700 booklets which have been sent out to medical institutions, teachers and companies on request. In English and Swahili, these are accurate and simple. The main message, stick to one partner. The society reports a strong response for more information.

● Uganda. The Ugandan Government *is exceptional in* Africa for its frank recognition of the epidemic. It is combatting not just casual attitudes to sex, but to death, in a country where even curable disease, like malaria, kills. Also consumer advertising *is* virtually non-existent.

In September the Government launched a campaign with a budget of $89,285. Posters and pamphlets warned: "You can lower the chances of getting 'slim' (Ugandan name for AIDS) by loving carefully . . . know your sex partners, have fewer sex partners, use condoms during sex, avoid the medical services of *unqualified* people."

Now the government is drawing up a five-year plan with the help of WHO (to the tune of $1.5m) with the *emphasis likely to be on* information and family support for AIDS victims, including antibody positive children.

A new hazard is now emerging. AIDS misinformation, according to health workers, is contributing to a growing rate of suicides among young people who, though they have no medical confirmation, think they have the disease.

● Zambia. Little doing officially. The government is critically short of cash even for basic drugs and there is much official embarrassment about sex. Occasional media reporting and phone-ins.

● Australia. Government acted promptly in 1984 to set up *National Advisory Council on* Aids with the co-operation of high-risk groups. This targeted drug abusers, haemophiliacs and gay groups with educational literature, among other things. Insert leaflet in Readers Digest, so successful in reaching "middle Australia" that it was reprinted. Next month the government launches a nationwide awareness advertising campaign aimed at 15/16-year-olds using television and "frank, uneuphemistic language" that research has indicated is vital.

● Norway. Probably the most explicit campaign in Europe. One public service commercial (from agency Scanpartner Anneks in Oslo) shows the letters AID on screen. To sexy noises over, the "I" moves over to straddle the "a" in an attempt to make love. It is pushed away and returns inside a condom, which is acceptable.

Lately the Directorate of Health has recruited the co-operation of Norwegian broadcasting with daily radio and TV programmes and full page press coverage. A special video and literature package has been distributed to high school pupils and information is given out over prison radios.

The campaign has generated widespread interest around the world. "What astonishes and impresses them most," says Dr Svein Erik Ekeid, *of* the Directorate of Health, "*is* the candid and forthright way the facts are provided."

● *Sweden*. For the past year, two 30-second public service announcements have been run in Swedish cinemas. One shows a girl blowing up a condom while a voiceover explains how condoms protect against sexually transmitted diseases, though AIDS is not specified. One line goes "If he won't put it on, tell him it's all off."

Another innovative move involved the Swedish Association for Sex Education (the largest supplier and seller of condoms in Sweden), which produced a brochure on safe sex and sent it to every young person in Sweden's three main cities, Malmo, Gothenburg, Stockholm. Inside every brochure were three free condoms.

In 11 days' time, a two-year public health campaign (the biggest since Sweden introduced right-hand drive in 1967) gets under way, involving posters, leaflets and professional advice. The angle will be to read the leaflet, and use condoms. The budget will be up to *SKr 100m*.

● Belgium. Plans for national awareness campaign early May with a budget of about £130,000. Health Minister Mrs Wivina Demeester aims to lift ban on advertising of condoms shortly.

● Italy. Nothing official yet, though it is known to be considering action. Catholic countries, as in Latin America, face theological objections to promotion of condoms.

● Spain. No official programme and little public debate.

● West Germany. A controversial advertising campaign (budget $500,000) is due to start this year. The coalition government is deeply split on the subject. Last year, leaflets were distributed to all households. West Berlin, with its *large homosexual population*, has been aggressive, with posters and TV ads promoting condoms, from DFS Dorland.

● *Japan. With only* 25 *cases* so far, the country is acting promptly. The health and welfare ministry has just proposed a drastic law on AIDS including an urgent mass education programme. It has already distributed a 16-page booklet on "What is AIDS" to local governments (to pass on as they choose) and sold at government bookstores.

In Tokyo, local government has decided to put up 10,000 posters in subways and buses at a cost of Y4.5m to tell how to get tested and how to prevent the *spread of the disease*. Foreigners, believed to be the cause of the disease in Japan, are now finding it hard to get into Soapland, the capital's nightspot.

● France. A 20-year ban on condom advertising on TV has recently been lifted — public awareness campaign is *imminent*.

● US. There *is* no national anti-AIDS campaign (though the Government recently announced $1.5bn for anti-drug *abuse* campaign over three years). The Government is divided on the subject, reflecting the morality versus public health debate. States and cities are individually responsible for their own programmes and most AIDS advertising is done by local groups around *the country*.

San Francisco, reputedly the gay capital of the world, has confronted the problem with an exhaustive education and *information programme* including leaflets, posters, television advertising and schools education. After four years, there are signs that the message has been received and incidence of the disease is beginning to level off.

Last November, in conjunction with a local TV station and the Government's public health services, local AIDS groups ran an anti-hysteria campaign dispelling some popular myths (that you could catch Aids eating in a restaurant or shaking hands) using celebrities like Dionne Warwick, Bob Hope and Ronald Reagan's son.

In New York, Brooke Shields and fellow celebrities have done similar promotions.

The hottest debate of the *day at national level is* advertising of condoms, something the three national TV networks have resisted for 30 years. ABC has now relaxed its attitude.

Additional reporting from Sarah Webb in Stockholm, Carla Rapoport in Tokyo, Andrew Buckoke in Nairobi, Victor Mallet in Lusaka, Catherine Bond in Kampala, Paul Betts in Paris, Stewart Fleming in Washington, David White in Madrid and Tim Dickson in Brussels.

INCIDENCE OF AIDS REPORTED TO WORLD HEALTH ORGANISATION TO FEBRUARY 27 1987

Africa	2,627	(34 countries reporting)
Americas	34,195	(44 countries reporting)
Asia	103	(19 countries reporting)
Europe	4,590	(27 countries reporting)
Oceana	404	(3 countries reporting)

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The Ford Sierras for 1987.

The winner moves on.

Britain's best selling medium sized car is no longer limited to Hatchback and Estate.

Now there's the brand new Sierra Sapphire.

A stylish saloon with distinguished looks and a 14.6 cu. ft. boot†

But that's not all.

All Sierras have a new design front.

Inside there are dozens of improvements and more equipment is standard.

Slimmer door pillars and deeper windows create a roomier feeling.

While redesigned seat backs and new head restraints give everyone much better visibility.

Overall effect?

An even better Sierra in every way.

The new Sierra LX.

1.8 litres. 5 speed. 110 mph* Sunroof. Six speaker, self search radio/cassette. Tinted glass. Rev counter. Taut suspension. Car illustrated fitted with optional anti-lock brakes and heated backlight antenna. Looks like it goes. Goes like it looks.

†Measured by the VDA method.
*Ford computed figures.

The new Sierra Sapphire shown here is obviously the biggest news. But there's even more besides.

All Sierra's have height adjustable front seat belt mounts for greater comfort.

Self search stereo radio cassette with six speakers – yes, even on the L.

From the LX up, tilting/sliding sunroofs.

And high security locks on all models – just as well with all those features.

Engines? 1.6, 1.8, 2.0 or 2.0 with electronic fuel injection.

There's also the rugged diesel.

And the powerful 2.8 on 4x4's.

A five speed gearbox is standard in all but the least expensive models.

With so much standard, what options could we offer you?

There's air conditioning, a four speed automatic gearbox, fuel computers and many more.

Here's four we think are especially interesting.

First, there's anti-lock brakes, the electronic system made famous by the Granada.

Big advantage? They help you to maintain control under emergency braking

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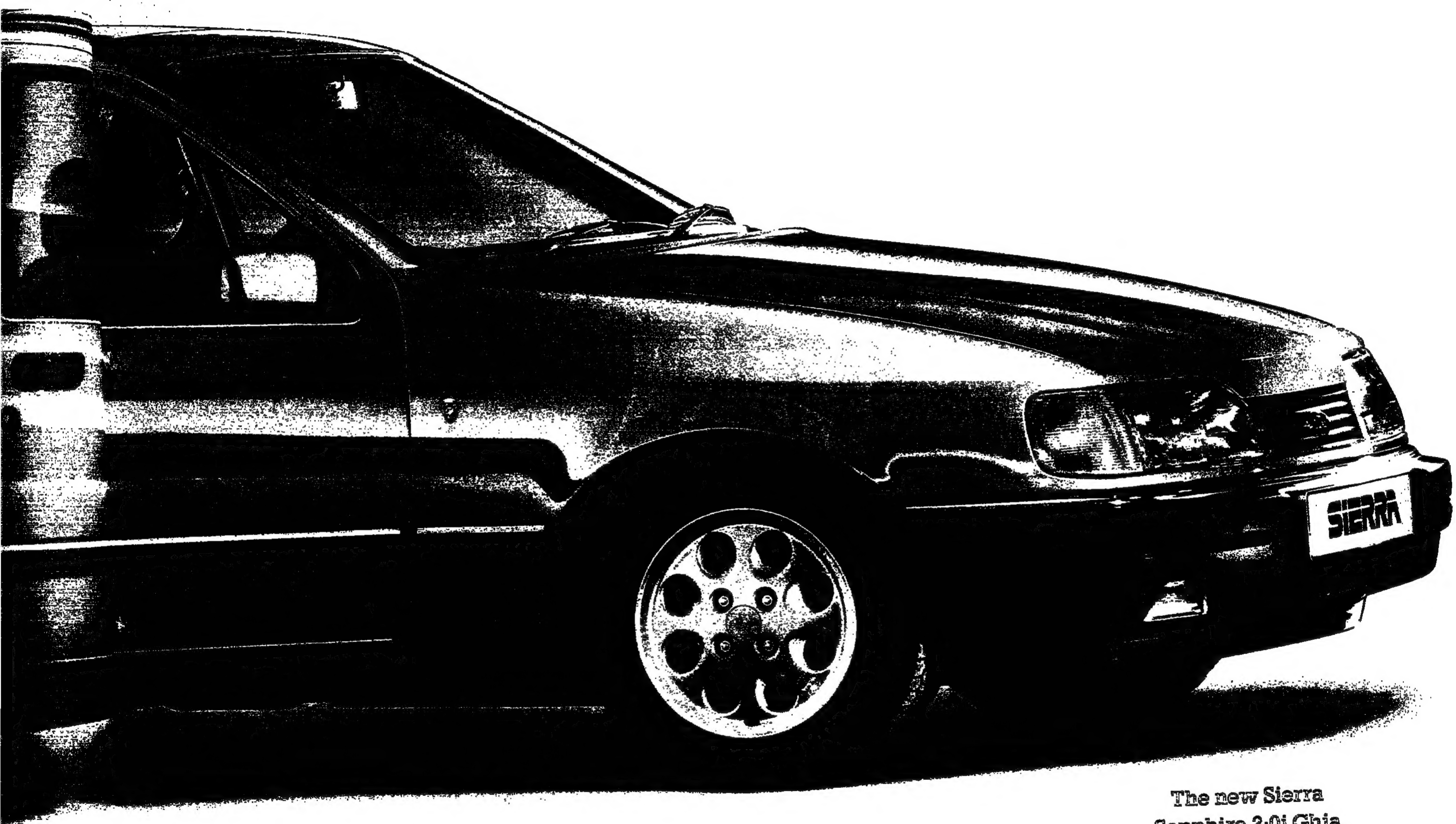
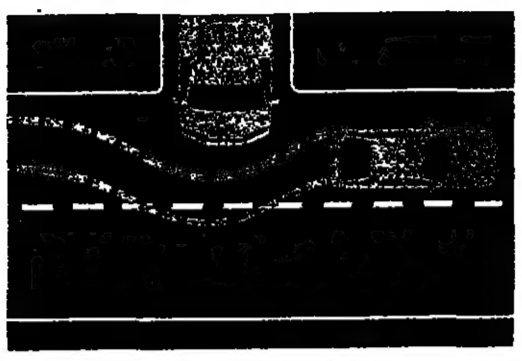
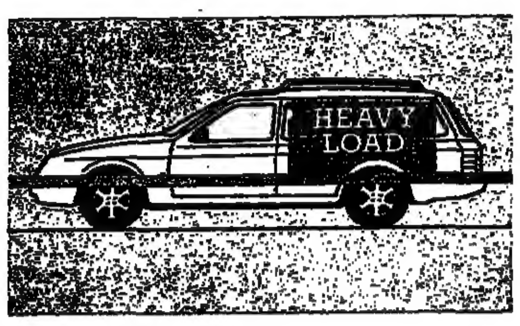
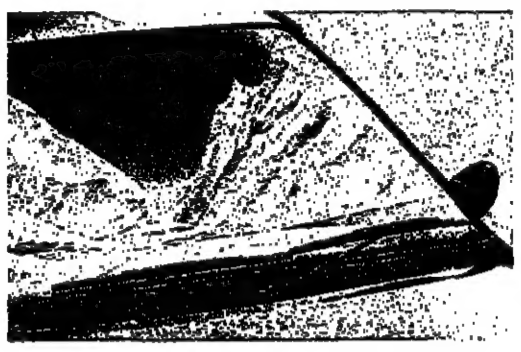


by making the most of the available grip. So if you ever have to really stand on the brakes, they could help you steer safely out of trouble. They're now


Anti-lock braking.



Self-levelling suspension.


Heated front windscreen.

available on every model in the Sierra range.

Second, an electrically heated windscreen (developed from aircraft technology). It achieves rapid de-icing on frosty mornings and can also help in freezing fog. Clearly a good idea. It's available on all fuel injected models and the 2.0 GL.

Third, headlamp wash/wipers. A very practical option this, available on GL's and above.

Fourth, especially for estate cars, self-levelling rear suspension. If you use your estate to carry heavy loads, it'll keep you on an even keel. And your headlamps pointing along the road not up at the sky.

What more can we add?

Just an invitation for a test drive.

The new Sierras are on show at your Ford dealers.

The Hatchback, the Estate and now the Sierra Sapphire Saloon.

The 2·8i Sierra Ghia 4x4 Estate.

124 mph.* Self-levelling rear suspension.

Loads of performance with loads of space (51.8 cu. ft†).

Optional black paint.

Other Estates are available with 1.6, 1.8, 2.0 and 2.0 EFi petrol engines or a 2.3 diesel.

A point to point favourite.

*Ford computed figures.
†Measured by the VDA method.

Ford

Sierra. Now we are three.

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THE ARTS

Julius Caesar/Birmingham Rep

Martin Hoyle

Last week Bristol produced a "multi-cultural" *Julius Caesar* with relatively few actors (two out of 10) whose culture apparently bore much relevance to Shakespeare's. Now Birmingham, a genuinely multi-racial conurbation, has mounted the play, cast with a traditional racial distribution. The language loses nothing by being spoken intelligibly; the drama is no less relevant for being enacted by white players. The audience took it calmly.

The chief weakness of Derek Nicholl's workmanlike production lies in its unvaried pace. It lacks climaxes and highlights. Antony's funeral oration, for instance, should trigger off mob violence with irresistible impetus. The nightmare of the wrong man being killed ("I am Cinna the poet!") should be as eye-deceivingly fast and unstoppable as a whiplash. Here its jogtrot hardly differs in tempo from the Forum scene—itself broken up by business with Caesar's coffin and Antony shinning up scaffolding. And the episodes from Philippi onwards are all equally weighted. There is no feeling that Brutus's suicide might, for example, be more dramatically pointed than that of Cassius; especially as the latter manages the fatal thrust with minimum effort and without removing his breastplate.

Apart from an occasional over-literalness (to dip their hands in the tyrant's blood, the conspirators squat round Caesar's corpse busily smearing themselves like housewives applying moisturising cream), the production makes some interesting points. Charles Cusick Smith, laurel-crowned from such triumphs as Manchester's *Pacific Overtures*, dresses the women in Napoleonic finery, with a dash of Goya for Tam Hoskyns's finely moving Portia. The men's neo-classical mix of trousers and togas, white and purple, lends John Forbes-Robertson's Caesar a papal air. Plumed helmets, cloaks and cuirasses for the rival armies make a handsome spectacle.

The pivotal Brutus-Cassius relationship is intriguingly conveyed by actors who might swap roles for the odd matinee to fascinating effect. Ian Gelder's bounding and impassioned Cassius has nothing of envy or malice. Bluff, blunt and open, he is more spontaneous than Brutus, as we note when his impulsive embrace is met with hesitation and cautious response by his fellow-conspirator. Sam Dale's noblest Roman is dapper, earnest and almost reclusive, recoiling from physical contact, and capable of more double-dealing (for unimpeachable motives) than Cassius.

With his matinée idol profile and modulated tones, Peter Birch gives a traditional if unexciting Antony (but any trend back to the voice beautiful is welcome). He suits Ian MacNeil's set, dominated by a huge picture of Caesar, where arches, porticoes and drapes fly in more or less appropriately, though the vast piazza makes an odd setting for a dressing-gowned Brutus's study. Changes from day to night are not too clear (the apparently nocturnal opening scene makes nonsense of the Plebeians' alleged absence from work); but strengths include an attractive song from a sensitive Lucius (Richard Henders and a quick vignette when easy-going Antony is baulked by the thin-lipped Octavius (Gareth Tudor-Price). The shadow of the future fleetingly falls across them; and we glimpse both the Emperor Augustus and the loser of Actium.

★

My curtailed review of the *King Lear* currently at Brighton omitted the names of the Compass Theatre company and the director, Don Taylor.

Julietta/Guildhall School

Rodney Milnes

We all have our little eccentricities, and amongst mine is the obstinate belief that not only is Martinu one of the finest of all 20th-century opera composers, but that his *Julietta* is a blazing masterpiece — a view joyfully confirmed by the *Guildhall School of Music and Drama's* production on Tuesday. How nice that Anthony Besch, so memorably responsible for the work's British premiere at the Coliseum nine years ago, should have chosen it for his first assignment as recently appointed Head of Opera Studies.

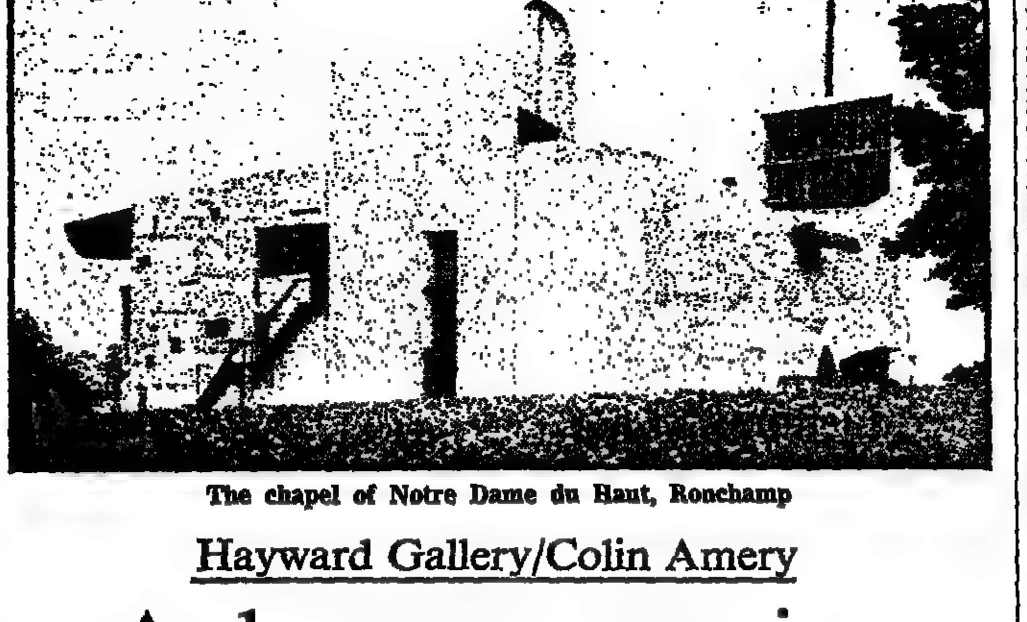
As before, it is Martinu's admirable *economy of means* that impresses most. Like his senior compatriot Janácek, to whose Van Gogh he plays as it were a Sisley with his pointilliste *ostinati*, he wastes not a note in his brilliantly contrived sequences of arioso (often with the most sparing obbligato accompaniment), spoken dialogue and near-traditional aria and ensemble patterns, yet this controlled economy does not preclude lyrical episodes of quite scrumptious juiciness.

There is also his very quirky, Czech humour, both in the music and in his adaptation of Georges Neveux's play, without which this cautionary tale of a man voluntarily embracing madness would be altogether too harrowing; as it is, *Julietta* is a profoundly disturbing work to anyone who has dipped even a toe into the escapist sea of dreams—which must mean more or less all of us.

Julietta is also—with one warning bell—an ideal piece for students as skilled as those of the GSMD: there are plenty of rewarding small roles. But you do need an exceptionally athletic lirico-spinto tenor, a breed seldom found in music colleges, and while Stephen Williams's account of the central role of Michel excited admiration for its sheer guts, it must be admitted that like most tenors of his age he still has a long way to go. Every now and then he gave indication that he was on the right path, and his slight awkwardness on stage was not inappropriate to the character.

As the eponymous object of his — and everyone else's — fantasy, Juliet Booth had plainly arrived: her beautifully warm and clear soprano, moulding long and elegant lines, soared easily and securely over the orchestra. Among the supporting singers, Robert Carlin (Official at the Office of Dreams), Elizabeth Harley (Fortune Teller), Jonathan May (Grandfather Youth) and Graham Stone (Old Man) shone essentially brightly. Mr Besch's production, similar in outline to that at the Coliseum, remained exemplary in its clarity of outline and sureness of touch, and while Lez Brotherston's decor was perforce more economical than that of John Stoddart, its salute to Magritte struck precisely the right note. The playing of the School Orchestra under Howard Williams was bewilderingly accomplished.

There are further performances on Thursday and Friday, the latter with alternative principals. Most warmly recommended.



The chapel of Notre Dame du Haut, Ronchamp

Hayward Gallery/Colin Amery

A dangerous genius

"We must replace the present banality, squalor, stupidity by what I call the essential joys."

These words of Le Corbusier (1887-1965) are prominent in the major exhibition of his life's work at the Hayward Gallery which opens today and runs until June 7. In many ways the exhibition tries to explore what these essential joys meant to Le Corbusier—and what they should mean to us when we contemplate the complete *oeuvre* of the man described by the organisers of this exhibition as "the architect of the century."

It would be easy to be seduced by this exhibition which makes tremendous play of the role of the architect as an artist. You are encouraged to think of Le Corbusier as the Picasso of modern architecture.

It is a simple and clear exhibition but also a crowded one. There is a lot to say—his output was prolific and his influence, for good or evil, profound. He had an arrogant vision and his propaganda machine was effective. He saw himself as much more than a mere artist—more as an intellectual force that was determined to change the world.

There is almost an innocence about those early white-walled, style-less houses like the Villa Savoye and the Villa Stein-de-Monzie. Their ramps and flowing spaces, flat roofs and long ribbons of windows have become clichés; it is their minimalist quality that is today so unsatisfying—at the time of their creation they were shocking. The organisers of the exhibition constantly remind us that Le Corbusier's work was "never purely functional"—it is clear that he was always preoccupied by the resonances of the past and his great gift is that, like Picasso, he reinterpreted it in a totally original way. There is a major display of Le Corbusier's paintings; their interest is in the way he saw things and the way that he drew, and to a trained eye it is these correspondences between painting and architecture that are the most fascinating part of the exhibition. But they are not very clearly explained for the public, and throughout the exhibition I felt the lack of an artistic context for Le Corbusier for those of us uninitiated in the recondite world of modern art history.

It is as a form maker in architecture, a man who learned how to abstract forms from his paintings into three dimensions, that we look at Le Corbusier now. The great projects of the 1920s—the League of Nations competition, the Cehtrosoyus in Moscow and the Palace of the Soviet's were all examples of Le Corbusier's slavish response to monumentalism and authority. It is interesting in the exhibition to compare these early giant projects with the built example at Chandigarh in the Punjab which he designed in the 1950s. Chandigarh is the last thing you see in the exhibition after you have enjoyed the photographs of the late monastery at La Tourette and the completely unique and powerful chapel of Notre Dame du Haut at Ronchamp. You come to Chandigarh having just brushed with Le Corbusier's disastrous ideas for urban living, and ostensibly invited to look at it as a triumph of planning and design.

It is a place that is hard to admire. Anyone who has been there will find it hard to forget that stench of urine-stained concrete and those vast distances that characterise this modern city of the plain. At the same time, Le Corbusier's great gift of absorbing the ancient and primitive forms of Indian architecture, and reinterpreting them as powerful abstractions in his huge government buildings is something that is equally memorable.

Walk out of the colourful and carefully edited exhibition and look at the South Bank on a grey London day. I know that Le Corbusier did not invent concrete but nor did he ever try to control his megalomaniac vision of the city (look at his plans to destroy Paris). London and most cities of the world have suffered terribly from the inhumanity of modern architects and Le Corbusier must take a substantial share of the blame. Of course he was a genius but he lived to become a danger. We can now survey him objectively at the Hayward in a careful and intelligently mounted show, but it is not time to revive him—even as a stylist and form maker—until we have learned from his giant errors.

The Le Corbusier Exhibition is sponsored by Trafalgar House plc. The Stanley Thomas Johnson Foundation, British Gypsum, The Canary Wharf Development Company, Pro Helvetia, Laing Management Contracting Ltd, and Hans Schmidlin (UK) Ltd. The catalogue is sponsored by the J. Paul Getty Trust.

Hinge and Bracket/Comedy

Michael Coveney

This long-running double act, first noticed here in 1974, has become a fixture on the festival circuit and, much less successfully, the radio. It is a relief, therefore, to report that Dr Evadne Hinge (George Logan on the piano) and Dame Hilda Bracket (Patrick Fyffe) have lost none of their verve or right to be considered an authentic variety turn.

If anything, the security of playing a couple of nostalgic relics from the days when touring opera companies were unlikely to attract serious critical attention has released a new double-edged strain of brazen innuendo. Memories of entertaining the forces in Cyprus are particularly studded with such crowd-pleasing lines as "twelve months solid of one-night stands" and "Friday night was Jessie night" (this as a prelude to a frock-twirling version of Miss Matthews' "Gangway").

The pretext for addressing us in the first place, flimsy as ever, is a night by the dressing-room wireless to catch their own guest appearance on "The Arkley Barnet Show," a threadbare revue slot totally dominated, it appears, by the gruff Yorkshire host's never-ending version of Ivor Novello's "Woman" from *Perchance to Dream*. Cutting references to the reluctant advance into old age allow Dame Hilda to preen and titivate, to scowl and to patronise. The danger is that a once-charming and delicate illusion of parlour sword-crossing between the sherry sips totters precariously towards a nudging coarseness.

The local opera company is coming up to date this year with *The Sound of Music* and, after the interval, we meet the ladies attired as nuns, worrying over Maria and wondering why so many candles have gone missing after dark. The interlude deteriorates into a mere drag show, with Dame Hilda resorting, quite out of character, to camp impersonations of Hepburn, Gracie Fields and Edith Evans. The interlude is clumsily abandoned with a poorly executed tarantella on the keyboard and a note from the stage door which prompts a rambling re-cap of Dr Hinge's dubious ancestry and a frantic final medley from *The Boy Friend*.

London Sinfonietta/Logan Hall

Paul Driver

The London Sinfonietta launched its Contemporary Music Network tour with an appearance at Logan Hall on Tuesday. Conducted by Oliver Knussen, they will repeat their programme of works by Lutoslawski, Schoenberg, Simon Bainbridge and Sir Peter Maxwell Davies at venues in Lancaster, Warwick, Oxford, Bracknell, Cardiff, Bristol, Liverpool and Birmingham during the next eleven days. The North-East is notably unfavoured, and so, surprisingly, is Manchester.

It is a demanding and rich programme, posing difficulties for the players which were not entirely resolved last night, but given the nature of the touring venture, are likely to be entirely mastered as they (literally) get into their stride. The first piece, Lutoslawski's *Chain I*—specially written for 14 principals of the Sinfonietta—was attractively done, however: and is an attractive little listen, another of the composer's exquisite musical gardens of live flowers. The long *ad libitum* section at the end sounded free, fluid and yet articulately impelled exactly as Lutoslawski's style demands.

Schoenberg's first Chamber Symphony — which in remarkably rapid time has acquired the status of a warhorse and must therefore be played extremely interestingly and well if its regular inclusion is to be justified — fared badly. The start was noticeably untidy, and the bracing speeds used, though forming an exciting challenge, could not be comfortably kept up. The work's prodigious inventiveness came over as clutteredness, and Schoenberg's frantic utterance was frantic at times for the wrong reason. There was sinew in the performance, and some textural insights — for instance, the volatile woodwind triplets near the close seemed more than usually purposeful — but the actual close was strident and a bit messy.

A compact rhythmically dextrous *Concertante in moto perpetuo* for oboe (Gareth Hulse) and nine instruments made a likeable impression, and suggested an interesting combination of styles of Berio (as in his peppery works for oboe, the *Sequenza* and *Chemins IV*) and minimal music with its irridescent, ever-slightly-altering repeated patterns. The high-point of the evening was soprano Linda Hirst's impassioned and remarkably accurate account of the solo part in Maxwell Davies's 1966 monodrama, *Revelation and Fall*, a role she is making her own, and for which all she lacks is a shade more theatrical finesse in seizing her loudhailer at the central screaming climaxes: some of the audience, seeing what was coming, began to laugh. Knussen unscrambled the hyper-complex instrumental part-writing of this masterpiece with marvellous devotion and acuity. But it was a pity that all the special percussion instruments had not been furnished: a (pitched) steel drum is no substitute for a sininster "metal cylinder with protruding rods" in the first Allegro molto section, and brought in quite alien connotations.

Barbican Centre birthday concert

Richard Fairman

Looking back over five years at the Barbican, a member of the London Symphony Orchestra commented ruefully, "Well, we aimed too high, too soon. You can't put on Tippett three times in a week." The ambitious plans for concerts that broke the traditional mould are now long forgotten and the management has settled down to a more cautious plan of leading its audience by the hand.

At least the fifth birthday celebrations have bolstered both sides of the argument. Over the past few days a wide spread of new music has been included, especially by the neighbouring Guildhall School of Music, and it would be unreasonable to complain when the programme for the birthday concert itself went right back to square one: an all-Beethoven evening, whose only novelty was the pairing of Georg Solti with the LSO, a partnership that is not seen often in London these days.

If there are any in this orchestra who worked with Solti as long ago as the '60s, they are not likely to find that his vitality has lost any of its sting. The opening chords of the Seventh Symphony are still attacked with explosive force, every instrument bang on target, and an excited stamp of the foot on the podium preceded the first of those dynamic interjections by full orchestra in the Scherzo.

The first movement was hard-driven in his old style. (Every one of those semiquavers in the rising scales at the beginning hit home with a vengeance). But the vigour of the Scherzo and Finale would be hard to beat: Solti's demand for unanimous attack in ensemble and his ability to summon ever-increasing reserves of energy made sure that this performance would rise to a pitch of genuine excitement fit to crown any celebration.

In the First Piano Concerto the soloist was Murray Perahia. He chose a long, flambuoyant cadenza for the opening movement and a measured gait for the Largo: a lofty and cool reading, its classical strength affirmed in the strong, confident statement of the recapitulation's main theme. With Solti in charge, perhaps it was only to be expected that the whole performance would wear a personality one size larger than usual.

The Doctor's Dilemma/Bristol

B. A. Young

Much of the didactic quality of *The Doctor's Dilemma* has worn away as the more useful of its points have been overhauled by social progress. But a good revival is always worthwhile for the opportunites given by the variety of the characters, and the production at the Bristol Theatre Royal has been given a cast of players worthy of their lines.

Sir Colenso is played by Fulton Mackay, more familiar in different aspects, but a dignified and sympathetic consultant, even if he does tend to semaphore some of his feelings too visually with his arms. Christopher Benjamin makes Bloomfield Bonington a figure of self satisfied fun, Timothy Kightley's Cutler Walpole is just as self satisfied in a less operatic manner. As Sir Patrick Cullen, Robert Eddison gives one of the best performances I have seen for years in any part, the Irishness subtly suggested, the timing of the lines imaginative, the personality suffused with the gravity of a contented old age.

When the argument of the play moves away from the doctors, it holds me less. To make Sir Colenso fall in love with Jennifer Dubedat is a touch of what Shaw himself, on mature reflection, might have reckoned as "Sardoodledom" even though Louise Jameson's Jennifer is a very attractive young lady. She also gives the impression of being an intelligent young lady, and I wondered why no one ever gives this part a proper measure of childness naivety. We are to believe that Jennifer has been constantly deceived by Dubedat's cunning, which is easily perceived by everyone else he comes into contact with, and yet she goes on with her hero worship, even after his death, when he becomes the King of Men.

Kevin Wallace's Dubedat wouldn't deceive a soul, with the histrionic voice that he gives to Shaw's histrionic lines, but no doubt he takes the view that when deception is so easy, there is no need for subtlety in its promotion.

Leon Rubin directs with much attention to detail, almost Zeffirellian attention in its concern with small parts in crowded scenes. He is punctilious in his insistence on the manners and behaviour of the year 1908. The play calls for four elaborate sets, and though in each of them the scenery is based on two flats set diagonally upstage, the appearance is effective, positively rich in Sir Colenso's consulting room in Act One. We are only given one interval, after Act Two, with some 90 minutes playing either side of it.

Janet Smith/Shaw

Clement Crisp

American soap operas; wartime partings and loss; mediaeval morality plays — these were the elements of the programme given by Janet Smith and her dancers on Tuesday night. I cannot pretend that they made up much of an evening of dance: three good ideas seemed less than good in their realisation, and undifferentiated in their movement styles.

The need for a small company —Miss Smith calls upon seven performers — to ring the emotional and dynamic changes may explain the wide variety of subject, but cannot excuse the fact that their style looked somehow the same.

The opening *Still no word from Anton* finds Miss Smith having a go at the attitudes of radio soap operas — "Backstage Wife," "Stella Dallas" and the like — though offering no more than passing jokes upon the clichés of the genre, with dancing that misses all the hectic posturing of the spoken extracts which form a sound-track more fascinating than the steps. Miss Smith's *Out into the Night* is earnest about the grim reaper, and imposes some predictable agonisings to Shostakovich's eloquent second piano trio (well played by a chamber ensemble). But masks and mopings do no more than accentuate the fact that a serious subject is being trivialised in dance.

Robert North's *Fool's Day* is the most considerable piece of the evening. Its theme is the mediaeval carnival when the populace dressed up and aped the world and its ways. It is cleverly designed by Andrew Storer; the cast sing and play pipe and tabor to supplement the songs which are the musical text (well presented by Michael Law and Nicholas Kok); there is, inevitably, a great deal of capering, by turns merry and sad—when Death, of course, comes to take his toll. Mr North appears, powerfully, as Death; the other dancers are boisterous; it all makes me feel that the Middle Ages were very unrelaxed.

Saleroom/Antony Thorncroft

Stalling the 1780 mugger

The ideal companion for a nervous man about town in London around 1780, when the streets were awash with Gordon Rioters and aristocratic bully boys, was a walking stick which could be transformed not only into a gun but also into a pistol and blunderbuss. Sotheby's sold a very rare example of this ultimate deterrent yesterday for £2,090.

It was part of an arms and armour, plus medals and decorations, auction which totalled £256,784 with less than 1 per cent unsold. The top price was the £9,900 paid for a Russian doubled barrelled sporting gun of 1844, carrying the Imperial crest.

A naval sword of presentation standard, commemorating the participation of "HMS Edgar" in the Battle of Copenhagen in 1801, was under estimate at £4,290. Perhaps the most intriguing lot in the auction was a Scottish all metal flintlock belt pistol of around 1715 which carries the legend that it was once the property of the brigand Rob Roy: it realised £3,300; £900 when it last appeared at Sotheby's in 1965.

It was part of a collection of a hundred pistols and blunderbusses assembled between 1950-68, which gives good opportunities for price comparisons in this market. A pair of flintlock duelling pistols of around 1783 which went at Sotheby's for £175 in 1960 made £2,585 yesterday, and another pair of silver holster pistols of the same period showed an appreciation from £85 in 1961 to £1,760.

In a minor Sotheby's sale of modern British pictures, which made £273,988 but with 15 per cent unsold, a 1916 Dame Laura Knight of children playing in a row-boat more than trebled its estimate at £24,200 and a hunting scene by Lional Edwards depicting Major Lyons with the Atherstone hounds also trebled its forecast, at £11,550.

Phillips disposed of Chinese and Japanese works of art for £137,830, with 6 per cent unsold.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

February 27 – March 5

Exhibitions

PARIS

Rembrandt: The exhibition of 341 engravings is exceptional for the proofs showing the stages of Rembrandt's creative process and its imaginative presentation. Landscapes, genre scenes, portraits and autoportraits and biblical scenes testify to the diversity of inspiration and the technical mastery of the painter who was the first to consider engraving as a autonomous artistic expression. Bibliotheque Nationale, 58, Rue Richelieu. Ends May 3 (4703 8126).

WEST GERMANY

Munich, Lenbachhaus, Luisenstrasse 33: Franz von Lenbach (1836-1904). The painter had himself built a Palast in the Italian renaissance style, finished in 1891. His widow then sold it to Munich in 1925. To mark the 150 anniversary of his birth, the Lenbach Villa will be redecorated with the original furniture and paintings of the artist. The exhibition displays 180 pictures and paintings in several rooms. Lenbach, celebrated above all for his portraits, studied at the academy for arts in Munich under Karl von Piloty. Ends March 29.

LONDON

The Royal Academy: British Art in the 20th Century is a major exhibition full of interest yet to some extent misleading. The mistake was to try and give a comprehensive overview of "The Modern Movement" – the show's subtitle. But the subject is just too big and the gaps are obvious. Concentrate on what is there, rather than what is not, and certain strengths in British Art in this century do manifest themselves. The Abstract tradition and its development deserves a show of its own, but here it is the figurative tradition, quietly expressionist, romantic and always idiosyncratic that makes its point. The British do not fit easily into schools and pressure groups of lasting or particular influence, but individuals bear comparison with the best of their foreign peers. From Sickert and Paul Nash, Gwen John, Matthew Smith and Stanley Spencer, to Bacon, Freud and Auerbach, there is much in which to take real pride. Sponsored by BP, the show ends on April 5 and moves to Stuttgart.

ITALY

Venice: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25-1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

Rome: Istituto Nazionale per la Grafica: (Calcografia, via della Stamperia, 6): Twenty-Four Posters for Naples: works commissioned by the Naples Ninety-Nine Foundation from some of the best-known of modern graphic artists, including Folon, Milton Glaser and John McConnell, David Hillman, Alan Fletcher and Mervyn Kurlansky of the English Pentagram Group. Humorous and inventive as the posters are, what emerges is the chilling conviction that time has almost run out if the glories of Naples are to be saved from pollution and decay. Until March 18.

SPAIN

Barcelona, Edvard Munch (1863-1944): 185 lithos, drawings and his influential graphics of his large output period. Emphasis is his preoccupation with themes of life and death (friezes of life). Fundacion la Caixa, Passeig San Joan 108. Ends March 22.

Madrid. Diego Rivera. A retrospective 20th century top exponent of Mexican art, this show offers an ample collection of his works, including a film with his fresco murals, 100 oil and tempora paintings, 110 book illustrations. Centro de Arte Reina Sofia, Santa Isabel 52. Ends June 7.

NETHERLANDS

Amsterdam, Maison Descartes: Modern Indonesia in the paintings of Jean-Pierre Giacobassi. Ends March 25.

NEW YORK

Museum of Modern Art: The first major retrospective in two decades of Paul Klee includes 250 paintings and watercolours and 50 drawings and prints, some by arrangement with the Klee Foundation in Bern which has rarely lent them (including large-format paintings from his later life). Ends May 5.

Cooper-Hewitt Museum: The design wing of the Smithsonian housed in Andrew Carnegie's Fifth Avenue mansion, features a special show on folding fans. Organized by textile conservator, Lucy Commoner, the fans reflected the fashions of the times during their heyday from the 17th to early 20th centuries, as demonstrated in the 80 pieces of various shapes and designs. Ends May 31. (91st & 5th Ave).

Pierpont Morgan Library: Young Queen Victoria, an exhibit of autograph manuscripts, letters, drawings and other memoribilia commemorate the 150th anniversary of the queen's accession to the throne. Ends April 12.

Metropolitan Museum: 90 paintings from the end of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Auvers. The Starry Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

CHICAGO

Art Institute: A retrospective of more than 150 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, along with landscapes and informal drawings. Ends April 19.

WASHINGTON

National Gallery (West Bldg): The Age of Sultan Suleyman the Magnificent explores the height of art and technical development during the Ottoman Empire in 210 16th century manuscripts, silver, gems, kaftans and ceramics. Ends May 17.

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Thursday March 5 1987

France's need to adjust

THE French Government based its stubborn opposition to any franc devaluation as part of the European Monetary System's currency realignment last January on the argument that it would not be justified by the underlying healthy state of the economy. The latest economic indicators, which have obliged Mr Edouard Balladur, the Finance Minister, substantially to revise his original forecasts for 1987, and the OECD annual review of the French economy published this week give a much gloomier picture.

Though it is easier to exaggerate the importance of short-term statistics—special factors played their part in producing January's bad figures — the Government is worried enough by the trend for Mr Balladur to predict "a difficult year." After the worst monthly consumer price index since the summer of 1983, inflation is now forecast to rise to 2.4 per cent this year instead of dropping to 2 per cent or less from 2.1 per cent in 1986. Economic growth is expected to be lower than the initial government forecast of 2.8 per cent—only marginally higher than 2 per cent, according to the OECD—while the number of jobless is forecast to reach 11.5 per cent of the total labour force by the end of the year.

This is disappointing for a government which has made its economic performance, together with law and order policies, the main criteria by which it wants to be judged, even fi it is accepted that the original official forecasts were over-optimistic. While the recent public sector strikes, the cold weather and the lifting of price controls, which have all influenced the January indicators, can be considered temporary phenomena, it is more lasting factors which are the source of greater anxiety.

The rise in oil prices, given France's needs for imported energy, will continue to have an effect on both the balance of payments and the rate of inflation in coming months; a fact which the French authorities and the OECD have taken into account in their revised forecasts.

Changing demand

From a long-term point of view, one of the most worrying aspects of the economic situation is the olss of competitiveness of French manufactures in both the domestic and export markets. The very satisfactory current account surplus last year, following a deficit in 1985, masked a positively alarming deterioration of the trade balance.

France's loss of 2.5 per cent of the world market share in manufactured goods was underlined by a slump in its exports to West Germany, its biggest trading partner, with which it had a trade deficit of nearly FFr 40bn (£4.2bn) in 1986, some FFr 11bn higher than the previous year. The trade performance looks even worse when seen against the background of falling oil prices, which is estimated to have provided the trade account with a windfall of some FFr 80bn since Mr Jacques Chirac's conservative administration took office nearly a year ago.

The French Foreign Trade Ministry, anxious to minimise the implications of these disappointing results, has claimed that the main cause is the decline in the revenues of oil-producing and other developing countries, which have traditionally provided important markets for French exports. That, however, is only part of the reason as the OECD report points out.

A sharp rise in the import ratio for manufactured goods since the beginning of the decade tells another story. The OECD explains the deterioration in France's export performance as mainly because of industry's failure to adjust to changing world demand.

Control costs

The lesson to be drawn from these comments is clear. While French exporters can hope to reap some benefit from the recent recovery in oil prices, which should stimulate demand from the OPEC countries, manufacturing industry will have to make an exceptional effort to adept its products to the more sophisticated markets of Western Europe and the Far East.

The French Government, like its British counterpart, can point to improvements in the supply side of the economy—through privatisation, removal of price controls and other measures to strengthen the role of market forces—which should in the long run enhance the ability of entrepreneurs to adjust to changing patterns of demand. But these policies have to be accompanied by a determination to keep control of costs and to reduce the gap between French and West German inflation rates.

Pricing policy in the state sector

THE PROBLEM of how to control Britain's nationalised industries, which has baffled successive governments for more than 20 years, has been reduced but not eliminated by privatisation. Enterprises which have a monopoly or near-monopoly position still have to be regulated, especially in their pricing policies, and this applies whether the company is in the public or private sector. It is on pricing where the Thatcher Government's approach to nationalised industries has been weak.

It is certainly an achievement that under the present Conservative Government the productive efficiency of most state corporations has risen much faster than in the 1970s, and faster than productivity in British manufacturing as a whole. This conclusion of a study by the Institute of Fiscal Studies is explained partly by tightening of financial controls which started with the White Paper of 1978 and was reinforced by performance targets and detailed efficiency audits by the Monopolies and Mergers Commission. (These audits, however, are still conducted without benefit of a proper look at the books, according to the Public Accounts Committee of the Commons this week.)

No guarantee

Market pressures have played their part in the turn round, especially in the case of British Steel and British Airways, and new technology has helped raise the performance of British Telecom. But the state sector has plenty of room for improvement. The IFS study shows how government regulation has failed almost completely in the area of pricing. And here the moral seems to be, once again, that privatisation without competition is no guarantee of efficiency.

Despite successive directives over 20 years, the state industries have continued to price their products on the basis of average, not marginal, costs. Most of them continue to cross-subsidise in a way that leads to serious misallocation of resources. Even the privatised British Telecom, until very recently, was using the long-distance telephone traffic to pay for local calls.

Of course, cross-subsidisation by a nationalised concern is defended in terms of social goals: maintaining the village postmaster, the wayside telephone box, the branch railway or the rural bus service. It can also be supported in employment terms — preventing the sudden dissolution of mining communities, for example.

But what the IFS study suggests is that state industry pricing policy is conducted pretty much in the dark. Neither managements nor governments know enough about the costs of providing services to different regions and different customers to judge whether their efforts to smooth the market are wildly, or just mildly, inefficient.

Management inertia

Sometimes this may be because it is impossible to know how costs should be allocated —in the telephone network, for instance. Partly it is due to the vagueness with which the "welfare" obligations of state enterprises are defined, and perhaps insufficient direction also to the newly privatised monopolies.

But it is also partly attributable to management inertia; cross-subsidies emerge accidentally as a result of changes in technology or customer demand, not as a result of positive managerial responses to them —let alone a well-informed examination of the alternatives.

This apparent vacuum in state industry management can be filled in two ways. The Government can make even more room for more private competition around the periphery of the monopoly or near-monopoly industries (private open-cast coalmining is a small instance), in order to give state managers some yardstick by which to judge the efficiency of their pricing decisions. Where that is impracticable, it can increase its surveillance of price and tariff structures to ensure that rational pricing policies are followed.

Round two of a battle royal

By David Buchan and Lynton McLain

A FOUR-HORSE race is in the final stretch to buy Royal Ordnance, Britain's state-owned arms and munition business, in what has become one of the Thatcher government's most protracted and troubled privatisation efforts.

The four companies with a declared interest in buying RO as a whole are British Aerospace, Ferranti, GKN and Trafalgar House. They have until the middle of this month to decide formally whether and what to bid for RO. Some time in April, just before the earliest likely date for a general election, the Government will bring the hammer down on the auction.

The impending privatisation is doubly historic. It not only marks the end of a state industrial activity that goes back to Queen Elizabeth I's sponsorship of the Royal Powder Mill at Waltham Abbey. It also brings into the private sector what is arguably the most vertically integrated conventional arms and munitions manufacturer in the western world.

Spread across 15 sites, RO's 16,300 employees make guns ranging from rifles (from its famous Enfield factory) to heavy artillery, ammunition to fit them, explosives ranging from the thunderflashes to TNT, and propellants for every kind of guided weapon and rocket.

Disentangling RO from 400 years of government involvement has already produced the odd explosion — a barely muffled one from RO's management at having the company's planned stock market flotation cancelled last summer and a distinctly unmuffled one from the Labour party which has pledged to return the company to state ownership if it wins the next election.

The privatisation would set the British industry apart from most of the rest of the West—the US included — where the norm is for the state to hold a stake in munitions manufacture.

The Government's general motive for selling RO off is its philosophy that any activity which can be carried out in the private sector should be. For roughly the same reason, the Government is contracting out the Devonport and Rosyth navy repair yards to commercial management, and last year it privatised Vickers Shipbuilding and Engineering (VSEL), makers of Trident nuclear submarines.

Despite the legend that Guy Fawkes got his gunpowder from Waltham Abbey, it is no longer considered essential for security reasons to keep conventional munitions-making within the civil service. Only the two nuclear warhead-making Royal Ordnance factories of Burghfield and Cardiff (for several years now separate from the rest of RO) are to stay fully in state hands, partly to frustrate any future Fawkesian attempt at nuclear terrorism.

The other motive for privatisation is to end the Ministry of Defence's inherent conflict of interest as RO's sole owner and chief customer. RO became largely self-financing as a trading fund in 1974 and largely self-managing with incorporation in 1985 as a public limited company. But only by cutting the umbilical cord of ownership, the MoD argues, can it ensure the best value for the taxpayers' money.

The MoD also hopes that putting RO into the commercial world will do it a power of competitive good. It will cease to be the Ministry's "preferred source" for certain types of arms and munitions. The Ministry will be free to shop around; RO will be able for the first time to determine its own product line; competition will be enhanced. That is the theory for the long term.

In the short term, however, the RO sale has had the perverse effect of reducing competition. The MoD planned to "fatten up" RO for flotation last summer by awarding it a £100m order for the seventh and perhaps last regiment of Challenger tanks for the British army, without inviting competitive tender; and by placing with RO all MoD small arms ammunition orders for three years, and virtually all MoD explosive and propellant order for seven years.

ROYAL ORDNANCE IN 1986*	
Total turnover	£460m
Exports	£83m
Pre-tax profit	£25m
Unencumbered assets	£235m
Employment	16,300

* Excludes Leeds factory, sold to Vickers in October 1986.

In the event, the Cabinet, influenced by vociferous complaints from Vickers, Britain's only other tank maker, at being prevented from tendering for the tank order, baulked at privatisation on these terms. The flotation was cancelled. RO's Leeds tank factory got the Challenger order, but was promptly sold to Vickers; RO got its exclusive MoD ammunition and explosives contracts, but the term of the latter was scaled down to three years. Both now run until 1989.

No one, except Vickers, is completely happy with the upshot. The MoD justified the new tank-making monopoly as necessary rationalisation in the face of declining UK orders, claiming Vickers was better equipped to sell tanks in a tough export market. RO is ambivalent. Mr Bryan Bassett, its chairman, says the Leeds plant could equally be regarded as the "flagship," at the apex of RO's vertical integration, or as a "black hole," with no orders beyond Challenger.

The MoD claims it is getting a reasonable discount from RO to justify the exclusive buying agreements—and that the new business will need more initial security than provided by the Ministry's usual habit of determining the final amount of its ammunition and explosives purchases by how much money is left in the MoD kitty at the end of a budget year. But privately, the MoD procurement executive is unhappy about the exclusivity of the arrangement and determined it should not be repeated after 1989.

RO, for its part, is still pushing for a longer-term exclusive contract on explosives and propellants. "We need new facilities, and we need three to five years to recover the heavy investment required," Mr Roger Pinnington, RO's managing director, stresses.

Whatever the complications of making RO attractive enough for stock market flotation, it has at least freed the MoD from the responsibility of deciding where RO should fit in to the UK defence industry. Picking a private buyer for RO on the other hand means tackling a number of awkward questions concerning competition.

Would a Defence Ministry which fought to keep GEC and Plessey separate, in the interest of competition in defence electronics, be happy to see BAe swallow RO and become the UK's dominant defence contractor with annual (defence and civil) sales of more than £3bn?

Would a ministry that dislikes having companies like Westland over-dependent on it for orders want to see a heavily defence - weighted Ferranti-RO combine? More than half Ferranti's business is in defence, and its turnover is not much larger than that of RO, which is unique in being purely tied to defence work.

GKN's interest in expanding its defence interests, so far mainly limited to making the Warrior mechanised combat vehicle (a contract won in competition with RO) and the Saxon armoured personnel carrier, is welcome to an MoD eager to entice new entrants into the defence market. But are GKN's mechanical engineering skills the right catalyst for for a RO keen to acquire high-tech electronic and software skills for the "smarter" weapons of tomorrow?

Finally, what high-tech synergy could the property, construction, engineering, shipping and hotels group Trafalgar House bring to RO? It could well be attracted simply by the 7,000 acres of land at RO sites. But RO says these wide open spaces are needed for the safe manufacture and proofing of ammunition, explosives and guns.

In weighing these questions, the Government will lend an ear to the wishes of RO itself. In general terms, these are clear. Mr Bassett and Mr Pinnington say that, had RO been privatised as a free-floating entity, their priorities would have been to acquire a high-tech company and a manufacturing presence in the US.

It is easy to see why RO should want to get more into the "smart" end of weaponry such as terminal guidance systems. This is where sales and profits are these days. A greater capability in this area would also, Mr Bassett notes, make RO more attractive as a prime contractor and as a seller of the complete weapons systems in demand in the international market. It is too frequently a bits-and-pieces subcontractor to other companies, he says.

Local manufacture in the US might also boost RO sales in that important market. RO's exports have sagged in recent years, from 53 per cent of turnover in 1977-78 to 18 per cent in 1986. Part of this was due to the fall of the Shah of Iran with his seemingly insatiable appetite for Chieftain tanks; in certain years the Shah took 30-40 per cent of all RO sales.

But the world munitions market is now a crowded one, with a munitions factory usually the first defence industry a developing country establishes. Some 55 countries now make small arms ammunition, and of these 33 make tank gun ammunition and 18 manufacture missiles. RO, relying only on the MoD to sell its products, fell badly behind—though, with its own commercial organisation since 1985, it is seeing a pick-up in foreign business.

Which of their suitors could best fulfill these high-tech and export ambitions? Mr Bassett and Mr Pinnington are careful not to express any preference. BAe and Ferranti would bring RO high technology in one move; GKN has a large US manufacturing presence already; Trafalgar House has world wide commercial connections which would be of use.

It is perhaps more relevant to ask whether in the long term, despite the tight product integration inside RO, different parts should not go their separate ways. Several companies are known to be interested in slices of RO, for instance ICI in the chemical-using explosives division.

The only two formal conditions which the MoD has attached to the sale is that the company be sold as a whole, and that it never pass into foreign hands. But MoD officials admit they cannot expect a buyer "to keep RO as a single entity for ever and a day," and will have no legal mechanism to require this.

If the company cannot be legally kept together, then there is probably also little the Governmet can do to maintain it in British ownership. This might matter in political, but not practical, terms. Some UK defence contractors are foreign-owned, even in the munitions field, and the UK buys 20 per cent of all defence equipment abroad.

The acid test for the privatisation will surely not be whether the 15 factories stay in one company, but whether Britain has an efficient munitions business which serves its main customer well.

RO is a curious combination of geographical spread and industrial integration. Many of its 15 factory sites were chosen for their remoteness, either from war-time German bombers or from population centres. The tricky process of making ammunition and explosives is itself land intensive. The Bishopton factory in Strathclyde has more than 1,000 buildings dotted around 2,000 acres. Only a few dozen are in use at any one time. Polluted buildings are allowed to deteriorate and then burnt.

There is also a high degree of vertical integration. Thirty per cent of total factory deliveries are to other RO factories.

But the structure of its business is changing—manufacture of tanks has ceased and that of small arms could end if the famous Enfield factory does not win the production order for a second batch of the SA 80 gun—and will presumably be changed further by whoever buys it.

Men and Matters

GM's turn for the better

General Motors, the world's largest automotive group, seems at fast to be turning round its European operations which, since 1981, have suffered losses totalling $2bn.

Last year GM cleaned out the financial cupboards in Europe. Debts were repaid to relieve subsidiaries of interest burdens, and essential rationalisation—including the closure of Bedford's medium and heavy truck operations in the UK—was completed.

That will make life easier for John F. (Jack) Smith, 48, as he takes over from Ferdinand Beickler, 65, who after 50 years with GM is to retire as president of GM Passenger Cars Europe.

Smith is in the management fast lane at GM. He started on the finance side in Detroit and was later given responsibility for worldwide planning. He was president of GM's Canadian subsidiary before moving to Europe last year when GM restructured its business there.

Smith — no relation to Roger Smith, the GM chairman—is an affable man with an easy-going sense of humour. But there is a lot of steel beneath the surface.

According to GM, the new "GM of Europe," which is based in Zurich, aims to take from the Opel subsidiary in West Germany much of the extra responsibility dumped on it in the past few years. Opel had begun to creak under the strain—but will now get back to its original role, making cars for Europe and selling cars in Germany.

The view widely held by GM's rivals is that Smith's task is to take the European driving seat from Opel which has imposed a German viewpoint on the whole business, and also has the disadvantage of being based in a country where manufacturing costs are among the world's highest.

Smith has pointed out in the past that, as the Japanese are setting up in Europe, "we must be sure we are a low cost producer."

"I suppose it's a little premature to ask to go private?"

Big dealers

There will be a noticeably lighter tone to the City of London if the present fashion among the more weighty bankers and traders for sponsored slimming for charity persists.

Having already this week mentioned Nicholas Sibley of Barclays de Zoete Wedd, who is to lay off some of his 18½ stone, I find that he is a mere stripling in the flab stakes.

Barry Whitaker, of Kleinwort Grieveson's gilts department, took up the challenge at the beginning of February when he weighed 23½ stone. He had some difficulty in proving it, as the only scales he could find willing to register at that level were at the Cavalry Club, at Boodles, and at his local vehicle weighbridge.

Whitaker is also promising to slim relentlessly through Lent. But he confesses his dream would be to get down to Sibley's starting weight.

Private man

The transformation of Sir Kit McMahon seems to be complete.

The former deputy governor of the Bank of England made his first big public appearance in his new role as chief executive of the Midland Bank yesterday to announce its 1986 results in the City. And ti was a polished performance.

Dressed in a dark suit and eye-catching pink tie, Sir Kit made a ten-minute presentation accompanied by slides showing the bank's recovery from the depths of the Crocker disaster in 1984, and charting its path to future greatness.

Hearing him use phrases like "marketing products" and "cold calling" was a cultural jolt for those accustomed to the less commercial vocabulary of his previous incarnation.

But something of his former self came through in a little dissertation he gave about the Third World debt crisis.

There were "reasons for caution but not alarm," he said, pointing out that Midland had made ample provision for possible loan losses—precisely what he would have been urging as Midland's supervisor, no doubt.

However, McMahon made it quite clear on which side of the fence he now stands. When asked whether Midland was heeding UK government warnings about the level of corporate failures, he snapped: "We're running the business, and the Bank of England and the Treasury, with great respect, are not."

His new colleagues are also sizing him up. "Good leadership qualities," said one. Another was more reserved: "Very quick, but rather a low boiling point."

Shea's role

Michael Shea's impending move from the Queen's press office to become head of public affairs at Hanson Trust has generated a wealth of speculation about his relations with Buckingham Palace. But perhaps a more intriguing question is why Hanson feels the need to create this new post. It has, after all, a formidable reputation for corporate cost-paring, symbolised by a tiny head office staff.

At present, Hanson's relations with the press are handled by a director, Martin Taylor, and he will continue to field all queries on the group's financial affairs, be they results or take-over activities. "I'm afraid you're still going to be lumbered with me," he told me yesterday.

What, then, will be the role of Shea, who has no business background? According to Taylor, he will have a much broader role, reflecting the greatly increased size and scope of Hanson's businesses. He would, for example, advise on initiatives such as Hanson's recent sponsorship of the Government's first city technology college, and would take an interest in legislation on both sides of the Atlantic that might be of interest to the group.

Hanson also reckons that Shea's diplomatic background and his former job as head of the British Information Services in New York should be particularly useful for a company with so many of its businesses in the US—and, doubtless, with further predatory plans there.

Cold comfort

Some pensioners in South Wales, it was reported yesterday, have been trying to cash their AIDS warning leaflets for a fiver, thinking they were the heating allowance forms.

They had been sent the "Do not die of ignorance" leaflet in Welsh—which is spoken by only one in five.

Observer

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ECONOMIC VIEWPOINT

The Budget and the poor

By Samuel Brittan

THE COWARD in me tells me to avoid the subject of poverty and the distribution of incomes in Britain under the Thatcher Government.

Since the 1970s there have been many forces which have reduced the resources of UK citizens at the bottom of the income scale and increased the resources of those at the top. We should, however, beware of the primitive fallacy of supposing that one group has stolen from the other or that the poor would have been better off if top personal marginal tax rates of 83 per cent and 98 per cent on earned and investment income respectively (which prevailed in 1979) had remained.

Manufacturing employment, which had already been dropping in the 1970s took a nose dive after 1979. Since then it has fallen by 2m or nearly 30 per cent. Other forms of employment have increased—but by not enough to prevent the number of unemployed among a growing working population rising by 2.1m to 3.2m, even on the Government's new definition.

Among those who had jobs, there was an increased dispersion of earnings. The pre-tax real earnings of the bottom tenth of male wage-earners rose by only 3.7 per cent over the seven years 1979-86. During this period the middle group received real pre-tax pay increases of 11.7 per cent and the top tenth received an average rise of 22.3 per cent

Thus there was enough pay flexibility in aggregate to cause problems of poverty and distribution, but not enough to price the unemployed into jobs.

What then was the role of the tax and social security systems? The Thatcher Government did sustain the main inflation-linked benefits. Frank Field maintains* that the various scrapings and skimmings the Government did manage to make on the margin have reduced the social security bill by nearly £8bn per annum, and that the Fowler reforms will trim it further. Government supporters, on the other hand, are all too well aware that social security spending after allowing for inflation nevertheless rose by £12bn per annum or nearly 40 per cent in the eight years after 1978-79.

However much one may disagree over coverage, detail and definitions, Field is surely right to argue that more resources to help the poor will have to come not from higher general tax rates, but from cutting down the tax allowance welfare state, above all relief for housing and occupational pensions.

If we want to know what has actually happened to the distribution of income and to poverty (not the same things) we can do worse than look at the research of Nick Morris and Ian Preston, summarised in the November 1986 issue of *Fiscal Studies*. One of the authors at least has been quite active in the Labour cause, but their research is a model of statistical scrupulousness. For instance family units are adjusted for family size and housing expenditure is excluded.

These authors found a clear drop in the share of the national income going to the least well-off before tax and benefit. As the larger table shows, the share of the bottom 30 per cent of households declined from 8 per cent of household incomes in 1968 to 6.7 per cent in 1977 and 3.8 per cent in 1983. The very bottom 10 per cent, coming from the ranks of the retired or unemployed, never had any original income to start with.

The benefit system was however successful in breaking this fall. After tax and benefit the share of the bottom 30 per cent dropped much less: from 15.7 per cent in 1968 to 14.8 per cent in 1977 and 13.8 per cent in 1983.

The tax and benefit system, despite Tory higher rate cuts, also put a sharp brake on the rise of the share of the top 30 per cent. Their share of household incomes after tax and benefit rose from 48.8 per cent in 1977 to only 51 per cent in 1983.

Among some highly contentious claims in the March Liverpool Economic Bulletin, Professor Patrick Minford does succeed in demonstrating that the top income earners whose *marginal* rate was cut so heftily in 1979 have actually contributed more to the national tax revenues (by bothering to earn more in open court), despite all attempts to explain it away. No poverty lobby worth its name should regret a cut from 60 to 50 per cent in the top marginal income tax rate the week after next. Cutting top marginal tax rates need not mean cutting average tax rates in the top couple of deciles if appropriate changes are made in the allowance system.

DISTRIBUTION OF INCOME

Percentiles	1983 Before tax & benefit %	1983 After tax & benefit %	1977 Before tax & benefit %	1977 After tax & benefit %	1968 Before tax & benefit %	1968 After tax & benefit %
1-10	0.00	3.12	0.00	3.21	0.31	3.50
11-20	0.36	4.75	1.76	5.15	3.66	[illegible]
21-30	3.40	5.92	5.11	6.48	5.87	6.72
31-40	6.14	7.01	7.16	7.52	7.24	7.63
41-50	8.04	8.17	8.63	8.54	8.42	8.55
51-60	9.87	9.35	10.05	9.64	9.71	9.52
61-70	11.73	10.67	11.70	10.91	11.21	10.67
71-80	14.20	12.33	13.80	12.52	13.05	12.15
81-90	17.72	15.03	16.80	14.81	15.72	14.20
91-100	26.55	23.65	24.96	21.22	24.81	21.59

POVERTY MEASURES

	'Absolute' poverty line: Proportion in poverty %	'Absolute' poverty line: Income shortfall per head %	'Relative' poverty line: Proportion in poverty %	'Relative' poverty line: Income shortfall per head %
1968	11.4	2.9	4.1	1.3
1977	11.6	3.2	7.7	2.2
1983	9.9	2.5	8.8	2.6

Source: Morris & Preston Fiscal Statistics November 1986

The great mistake made by the American-type supply-siders is to generalise from the effects of reducing personal confiscatory rates at the top affecting a handful of tax payers to the effects of reductions in the general tax rate. A 1p or 2p or 3p or 4p reduction in the basic income tax rate from the present 29 per cent will not pay for itself, but will cost very much what the Inland Revenue says it will—that is well over £1bn per annum for each penny taken off.

Let us, however, get back to the poor. The definition of poverty has a large conventional element. The Supplementary Benefit level is often taken as the hallmark because it is the result of a political decision about the minimum level to which the Welfare State attempts to raise incomes. There is nevertheless a danger in following the convention too literally because an increase in Supplementary Benefit levels appears to worsen poverty and a reduction in benefit levels to alleviate it.

Morris and Preston neatly avoid this trap by taking 1983 levels of Supplementary Benefit and, adjust it for inflation to calculate the equivalent in earlier years. This procedure gives figures of what they call absolute poverty, shown on the left hand side of the smaller table. Absolute poverty on this definition actually fell slightly in the first Thatcher years to just under 10 per cent of households. Of course any families in absolute poverty as here defined represent a failure of the Welfare State to achieve the standards set by parliament. Its existence reflects a combination of failure to take up benefit and the shortfall in provision for families with a breadwinner on low pay.

The right-hand side of the table takes a slightly more relative look at poverty, and asks what would have happened if the Supplementary Benefit level had risen in line, not with prices, but average earnings. The exact percentages do not mean too much. The key result is the slight gradual upward drift over 15 years under governments of all persuasions of the proportion in relative poverty.

The reader may feel that these estimates of poverty trends underestimate the evidence of his eyes. For instance, there appear to be many more down-and-outs of all ages on the streets of London than before. Other problems are of course, involved, including London house prices and the absence of rented property, movement to the metropolis by those without means of support, drugs and the general enhancement of the problems of urban life.

But without pretending to solve all these problems, it is reasonable to argue that the bulk of any fiscal largesse that the Chancellor, however mistakenly, may think he has in his Budget, should be devoted to those in the lower deciles, and not to those in the middle and middle-upper. Increased disposable income for those who have done least well from the economic upturn is a better cause than "infrastructure investment."

The main way to help the poor is through the benefit rather than the tax system. New benefit rates were set last October to take effect this April. So a further increase in a March Budget would be a total break with normal procedure and could probably not take effect until later in the year. If such a surprise were contemplated, priority ought to be given to income-related benefits, such as Supplementary Benefit and Family Income Supplement. Child benefit which is too across the board should perhaps be increased and taxed.

On the tax side itself, an increase in the tax thresholds, although better than a cut in the basic rate, largely spills over to those well up in the income distribution. I explained in an article on January 24 1985, how this disadvantage could be mitigated by using the clawback system already used with the Age Allowance, which is gradually withdrawn as income rises. If the system were applied to increases in the ordinary personal allowances, they could be increased by nearly twice as much for the same revenue cost.

The biggest fiscal burden on the poor is not, however, income tax, but National Insurance contributions, which start with pay packets of £38 per week, for both employees and employers. If the exemption limit were raised and the reduced rate bands introduced in 1985 extended, the benefits would not spill over to the higher paid, because National Insurance is not a graduated system. A concession here would also be good for jobs, as less skilled workers would become cheaper to employ.

The ultimate goal must be a guaranteed income (not a minimum wage) for all, which is exactly the same as a negative income tax, when examined analytically. But that is a story for another occasion and another parliament.

* *Freedom and Wealth in a Socialist Future*, New Edition, Constable, £7.95.

Lombard

Far too young to retire

By Joe Rogaly

IT MAY seem ridiculous at first sight, but this week's interesting notion is that the retirement age should be moved to 75—and, if logic is followed to its outermost limit, then 75 (at least) for women as well as men. The matter was not put quite like that by Dr Pat Thane in her recent talk entitled "Economic Burden or Benefit? A Positive View of Old Age" at London's Centre for Economic Policy Research, but to my way of thinking, the effect is the same. What is more, Dr Thane not only has a point; she may have a very important point.

Boiled down, it is this: much time is misspent devising policies for the care and feeding of men over 65 and women over 60 ("the old") on the premise that they are an increasingly heavy burden on the rest of us. The truth is that they need not be, since (a) in Britain the proportion of the population that is usually classed as elderly is no longer growing, while (b) there is, or should be a clear differentiation between the fit and potentially active "young old" and those who probably need a very great deal of care indeed.

Leaving gender out of it and taking the "young elderly" as generally very charming folk aged between 65 and 74, it seems that the growth experienced in the 60s and 70s has come to an end. The tables kept by the Office of Population Censuses and Surveys indicate that there will actually be a slight dip in their numbers in the late 1990s and the early years of the next century, followed by a rise as the post-World War II baby boom generation comes into the frame.

There is also a plateau, although not a dip, in the projected numbers aged 75-84. Only the inexorable growth in the cohort of over-85s takes the graph of the grand total on a slight incline as it moves through into the 21st century. For many policy-makers this is really quite remarkable news.

The reason is that for much of this century we have been accustomed to a rapid growth in the proportion of people aged 65 and above. The figure is currently some 15 per cent, and for all practical purposes it is likely to stay that way for another two decades. This is a monumental change from the experience of most of us in Britain. After all, that proportion doubled, from 7 per cent to 14 per cent, between 1930 and 1945.

It is also a change from the recent experience of other major countries: the same doubling, between the same percentages, took France the 115 years to 1980 to achieve. West Germany exactly matched Britain. The US, where so much is made of "grey power," will have taken the 75 years to 2020 to achieve its own doubling to 14 per cent.

You will not be surprised to hear that the Japanese have the most startling figure of all to report: what took us 45 years, and the Americans 75, will take them 26. In 1996 their elderly will be 14 per cent of their then population, against 7 per cent in 1970.

The rates of 20th century change may differ from country to country, but the overriding common factor—the emergency of large and powerful populations of "young old"—does not. It is also plain that improvements in diet and medical practice have resulted in a more healthy life for most over-65s. Dr Thane reports that at the beginning of this century people were regarded as visibly old in their mid-60s; today they are often not so regarded until their mid-70s or later.

The natural corollary of all this is that there is no logical reason for regarding people under the age of, say, 75, as dependants; they should, in truth, continue to be participants in the economy. (Since women live longer, their economically active lives could be extended even further.) Yet in most Western countries projections of future social security expenditure assume that the young old are no longer economically active. Most pension schemes are similarly based. It is not easy to contemplate any change in the immediate future, since unemployment among the under-65s is so high. But sooner or later the young old will demand a place in the working economy, just as women have done before them.

Small cuts in agriculture

From Mr I. Yates

Sir,—Your excellent leader of February 23 made the point that the effect of small cuts is to stimulate an increase in agricultural production. In the past, the most profitable farm businesses have tended to be those with the highest economic level of production which has in turn led to the lowest cost per unit of production and frankly, one sees little opportunity for any farmer currently to adopt an alternative strategy. In spite of massive support and ever growing surpluses in the major commodities, agricultural profitability has sunk to a dangerously low level and it is apparent to the farming community that the name of the game in the future is going to be the survival of the fittest!

The unprecedented censure of the Minister of Agriculture at the recent annual meeting of the National Farmers Union was, I feel, a result of the industry's frustration at the lack of Government direction. There is a genuine feeling within the industry that the problem is so large that the Government is seeking to solve the problem of surpluses by allowing the industry, in the fullness of time, to strangle itself.

Almost the whole agricultural community in Europe accepts that consumption and production must as a matter of urgency be brought more into line. In the past, however, all the European governments have been guilty of over-stimulating production for purely national objectives and as a result of their lack of foresight and understanding of the way the individual farmer operates his business, they have been culpable of creating a problem of horrendous financial proportions.

Looking to the foreseeable future, probably at least 20 per cent of the cultivatable area of Europe will no longer be required for the production of conventional crops (and there are no real economic alternatives). Under these circumstances it is manifestly cheaper to pay people not to produce rather than to carry on creating unwanted mountains and there must, therefore, be a case for some sort of set-aside scheme. Given the recent history of voluntary schemes to reduce production, unless the rate is set at an artificially high figure, they are unlikely to be successful. The logical answer seems to be to adopt a compulsory quota system for all products in structural surplus and then pay the farmer a fair price for what is required. Then, for a period of time, to allow the farmers to adjust, you pay him a fair figure for his compulsorily set-aside land. This land is fallowed and kept, so to speak, in strategic reserve. The alternatives of forestry and relaxing of planning laws etc offer alternative uses on a very small percentage of the land in question.

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Letters to the Editor

Selling Mexican banks

From the Mexican Ambassador

Sir,—William Orme's article (February 18) about the "windfall profits" allegedly accruing to a "selected group of private stockholders" as a result of the sale of share certificates in two major Mexican commercial banks, presents a partial and somewhat distorted view of the operation and its results. He noted that the titles "were distributed on February 6 at prices far below their anticipated market value" and, in this way, "the fortunate original investors have already posted profits of better than 200 per cent in dollar terms," creating a situation that has been labelled as "a political 'scandal'."

He failed however, to note that the February 6 operation was designed mainly for "seeding" the new titles in the market. As often occurs in operations of this sort everywhere the market reaction to the placement and the eventual market value of the certificates were difficult to foresee. For these reasons, it was established that for every certificate bought now, two convertible obligations must also be acquired. These obligations are to be converted to share-certificates in pre-established dates at the market value, less 25 per cent. In this way, the banks themselves, not the private investors, will receive most of the profit.

Besides, the initial placement did not cover all the share-certificates that will be sold, equivalent to 34 per cent of the capital of the institutions. Banamex, for instance, sold only the equivalent to 7 per cent, keeping the remaining titles for sale when their market value should offer the bank the highest possible capital gain, and these instruments were placed among more than 25,000 investors, none of which acquired more than 0.02 per cent of the total capital of the bank despite the fact that the law allows ownership of up to 1.0 per cent to individuals and corporate entities. Furthermore, incentives were offered to the original speculative buying, usually associated with this kind of operation.

Orme has also failed to note that the admittedly great increase in the market value of the share certificates reflected mainly the confidence of the public in the new instruments and strengthened the capital base of the banks. Certainly, as everybody is aware in this country, it is not strange that a privatisation operation produces, at first instance, a steep increase in the market value of the shares offered to the private investors.

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Tactical voting

From Mr J. Gossage

Sir,—Malcolm Rutherford (February 27) fears that a balanced Parliament in which no party were to have overall control would lead to a paralysis of decision-making, a sterling crisis and a strong likelihood of fresh elections. While such a scenario is possible it is not the most likely, despite the refusal of the Conservative and Labour parties to address the issues which would be raised. Many observers predicted paralysis in local government when the Alliance first achieved balanced administrations. The experience has been quite different and voters have liked the result, as evinced by subsequent electoral successes.

Nor is it safe to assume that the Alliance will be unable to win the next general election outright. In a week which saw the culmination of a by-election campaign which turned a 60 per cent level of support for Labour last December into a 53 per cent majority for the Alliance, Malcolm Rutherford might have considered the implications of some of his assumptions rather more carefully. Given his view of Labour's chances, how much credibility is that party likely to retain by the date of the next election?

There are many voters in deprived areas of this country who support Labour because they wish to defeat the Conservative Government. Equally there are many voters in more comfortable areas who support the Conservatives because they fear a Labour victory. These "tactical voters" are likely to be attracted to the Alliance programme if the challenge for outright power becomes credible.

The volatility of the electorate presents the Alliance with an enormous opportunity. It should be remembered too that the Alliance has already demonstrated itself to be the only political movement capable of winning in both the inner city and the leafy suburbs, the town and the countryside, the north and the south. The question of who will succeed a third term Conservative Government is not the only interesting question posed by British politics today.

John R. Gossage.
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Tariffs on spirits

From the Chairman,
External Relations Committee,
Union Europeenne des Alcools,
Eaux-de-Vie et Spiritueux

Sir,—Christian Tyler's article ("Time to revive the tariff," February 20) calls for the imposition of non-discriminatory tariffs within the context of the new round of GATT trade negotiations.

EC producers of spirit drinks, i.e. Scotch whisky and cognac, already face a plethora of tariff and non-tariff barriers which stifle their products' export performance in many of their world markets. While the non-tariff barriers take many different forms, e.g. quotas and import licences, tariffs are invariably discriminatory in that they are levied either at different levels for similar products or levied at excessive levels to protect similar domestically produced drinks.

Against this background the EC association of spirituous beverage producers (Union Europeenne des Alcools) has already agreed to request the EC Commission to pursue the following objectives in the forthcoming Gatt talks: elimination of non-tariff barriers; reduction in excessive import duty rates in certain GATT countries; establishment of identical import duty rates for all spirits (based on alcohol content) in each GATT country, with each country free to set its own levels of duty; elimination of EEC import duties levied on imported spirits based on reciprocity with other GATT countries; and tighter GATT provisions to ensure that in each GATT country all spirits, irrespective of origin, are subject to identical rates of excise tax (based on alcohol content) and rates of import duty are not so excessive that imported spirits are prevented from competing on equal terms with their domestic competitors.

These objectives demonstrate that, contrary to Christian Tyler's view, producers/exporters believe strongly that one way to increase their trade is to abolish tariff and non-tariff barriers. Thankfully GATT signatories appear to share this view as tariff reductions (as well as elimination of non-tariff barriers) are among the issues that they have agreed to consider in their forthcoming trade talks.

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FINANCIAL TIMES
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British Prime Minister Margaret Thatcher chairs the 25th anniversary meeting of the UK's National Economic Development Council for the first time since February 1982. Mrs Thatcher is flanked by Mr Nigel Lawson, Chancellor of the Exchequer (left) and Mr John Cassels, Director General of the NEDC (right). To his right is Lord Marshall, chairman of the UK's electricity board.

Return to the tarnished table

Hazel Duffy reports on the 25th anniversary of the UK's economic think tank – an occasion which prompted Mrs Margaret Thatcher to host the proceedings for the first time in more than five years.

MRS MARGARET THATCHER, the British Prime Minister, yesterday chaired the 25th anniversary meeting of the UK's National Economic Development Council (NEDC) – the UK's somewhat tarnished economic round table – for the first time in more than five years.

Mrs Thatcher's prolonged absence from this high-level forum was testimony to her deep-seated dislike of the institutional approach to problem-solving.

Ironically, the British leader chose to make an appearance on a day when her government backpedalled on attempts to push through a radical re-organisation of pay bargaining in the UK – an issue which Mrs Thatcher believes is central to the country's post-war economic problems.

No mention was made at the NEDC meeting in London – attended by representatives from government, industry and trade unions – of the controversial proposal backed by several ministers in the past month for an end to the annual pay round.

The Government's view was most recently spelt out by Mr Kenneth Clarke, the Paymaster General. He argued for greater regional and local variations in earnings to bring pay level more closely in line with local labour markets.

The proposal has come under concerted attack from employers and unions alike.

The Government, which wants to break down the system in the belief that it keeps wages too high, wisely decided that it was a topic best put to one side for the present.

That, in itself, could be seen as a weakness of the NEDC forum. Ironically one of the motives for abandoning national pay bargaining is to try and make British industry more competitive (the other is to get the unemployed back into work). This is precisely why the NEDC or "Neddy" was formed 25 years ago.

The Government, keen to avoid dispute, made no substantive points against evidence from the Confederation of British Industry, the employers' grouping, of positive pay trends from companies, and from Mr John Cassels, director general of the National Economic Development Office, that unemployment is unlikely to be brought down by lower wage deals.

No minister mentioned the Government's drive against national pay bargaining following the Treasury action to publicly distance itself from remarks on the issue by Mr Clark.

The NEDC was set up 25 years ago, by the Conservative Government led by Harold Macmillan, at a time when Britain was facing its first postwar economic problems.

It was to be a forum where government, employers and trade unionists could meet to find solutions to problems in British industry. They were backed in their discussions by research conducted by the impartial Office.

The "tripartite" approach, new to the British scene, was an attempt to erase rigid lines drawn by employers and trade unionists which had dogged Britain's efforts to hold on to its place in the industrial world.

Its birth owed something to feelings akin to envy for and fascination with similar bodies in West Germany and Sweden.

The three-way representation was repeated in the "little Neddies" – committees of managers, trade unionists, civil servants, which concentrate on sectors of industry.

Although set up by the Conservatives, the NEDC heyday was under Labour governments which were in power for much of the 1960s and 1970s.

It fitted in neatly with Labour Prime Minister Harold Wilson's concept of planning, first with the National Plan drawn up in 1964, for which the Government drew heavily on work done by the little Neddies, then in 1975 with the industrial strategy which focused on government intervention to boost competitiveness of industry.

Disilusion about the usefulness of strategic planning set in under the radical conservative Thatcher government, elected in 1979, which put its emphasis on a market-led economy. The NEDC, which meets on the 15th floor of a tower block next to the Tate Gallery, began to look as dated as its building.

Increasingly, it was dismissed as being no more than a talking shop, with the research staff producing endless reports infrequently read by the people to whom they were addressed.

Mrs Thatcher chaired only four meetings between 1979 and 1982, then, after the election in 1983, stopped attending. The chair was taken by the Chancellor of the Exchequer.

The fact that Mrs Thatcher never wound it up despite threats, however, followed by her attendance yesterday to mark the forum's 25th anniversary, demonstrated that she still put some store by the only formal arena where her ministers meet trade union leaders.

Likewise, the TUC's threat to withdraw over the Government's non-recognition of trade unions at the UK's sensitive intelligence monitoring centre at Cheltenham a couple of years ago never materialised.

Turkish jets strike Kurdish targets in Iraq

By David Barchard in Ankara

TURKISH airforce jets yesterday morning struck at targets in Iraq in a significant escalation of the long-running campaign against Kurdish nationalist insurgents.

Unofficial reports said at least 100 people were killed in the strike, which was apparently in retaliation for a bomb attack by Kurdish rebels two weeks ago in which 16 died.

Major troop movements have been reported along the Turkish side of the border for the past five days and commando units have been flown in from other parts of the country.

The semi-official Anatolian Agency announced yesterday that troops were poised on the frontier.

The attack yesterday was the third in four years on Kurds in northern Iraq with what appears to have been Baghdad's approval.

The international ramifications of the problem are particularly worrying for Turkey. Iran backs one section of the Kurdish movement. Syria, at least until recently, actively supported the Kurdish movement, but seems to have struck a bargain recently with Ankara to withdraw that backing.

Iraq, Turkey's closest friend in the region, is sapped by seven years of war and the central government is unable to maintain control.

Kurdish militant groups from Turkey withdrew to towns in Iraq four of five years ago. It is from these centres and mountain hideouts that the PKK (Workers' party of Kurdistan) has launched attacks on gendarme posts and the homes of village guards in the past two and a half years.

At least 586 people, including terrorist guerrillas, have died in these attacks, which raise the question of how many resources Turkey will have to devote to pacifying the area.

The attacks have dented the assumption that Turkey's military hold on the area was too strong even to challenge. In addition, the rebels have established the PKK as the main Kurdish political grouping.

One thing is certain – Turkey will make no concessions. It remains committed to a unitary system of government and benign, but emphatic, centralisation.

Until recently, it appeared that the overwhelming majority of the estimated 6m to 8m Kurdish speakers living in the south-eastern provinces of the country were broadly acquiescing to this policy.

Few seem to have had clear nationalistic aspiratons. Local leaders had centuries-old traditions of taking part in metropolitan-Turkish politics.

Grievances seem to have been more economic than political. In response, Turkey launched its largest ever investment project – the Euphrates valley scheme. The Atatuk High Dam Scheme in the 1990s will produce electricity and will irrigate the plains of northern Mesopotamia. A regional agricultural and industrial revolution is predicted.

In the late 1970s, successive Turkish governments pursued soft-line policies towards Kurdish groups in the south-east and among the newly arrived working class populations of the industrial centres in the west.

Kurdish groups associated openly. A Kurdish mayor, Mehdi Zana, leader of the pro-Moscow "Way of Freedom" was elected in Diyarbakir, the region's chief city in 1977. Kurdish-language newspapers and books began to appear. One minister in the government of 1978, Mr Sarafettin Elgi, spoke Kurdish in his office.

These manifestations of separatist activity alarmed the military who took power in Turkey in 1980. They stressed that they had no hostile sentiments towards the citizens of the south-east but they would not tolerate anything that seemed to threaten the unity of the Turkish state.

Books and newspapers in Kurdish were banned. The 1982 constitution stresses, that Turkish is the only language for public or official use.

Kurdish separatists were arrested and jailed. Mr Serafettin Elci, went on trial. Mr Mehdi Zana was jailed for 24 years. Diyarbakir prison became the centre of torture allegations, although investigations by the Council of Europe concluded that such claims were unfounded.

At first, it looked as if the new policy had been successful in nipping the growth of separatist movements in the bud.

However, an attack on a gendarme station in August 1984 was the prelude to a long campaign claiming many lives.

THE LEX COLUMN

Every dog has its day

A millenium of index points has been compressed into just over three years by the FT-SE 100 index, which just managed to close above 2,000 for the first time. Strong as the equity market seems at present, only the brave would bet on the index doubling again, to reach 4,000 by the Spring of 1990.

Midland Bank

Had Brazil not chosen the eve of the clearing banks' reporting season to drop its bombshell, Midland might well have made a rights issue with yesterday's figures.

Equity must have looked tempting when the shares closed at about 670p just before the Brazilian announcement, but the sudden retreat to 600p stopped any such thoughts. It was rights-relief rather than surprise at the results – good though they were – that put the shares up 13p yesterday to 632p.

Clearly Midland would benefit from some extra capital; its ratios look decidedly dowdy compared to those of its peers. It can carry on for a while without, and the tax man is allowing some rebuilding through retentions.

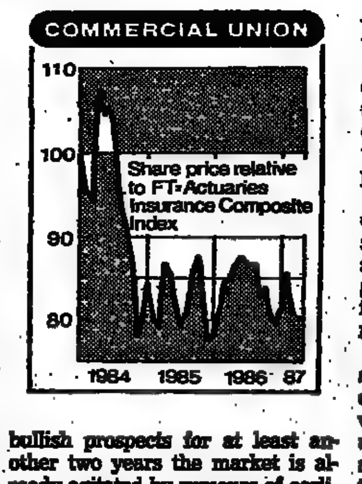
But in the end Midland will not be able to catch up with the others through the revenue account alone. At least the delay will allow it to make a better case to its shareholders.

The post-tax return on equity of 12.5 per cent for 1986 is hardly the best use to which their capital can be put. With the recovery well in train, and 1987 profits likely to reach £550m or so from 1986's £434m, that ratio will improve even if the shares are still reluctant to credit it.

Insurances

The bounce-back at Commercial Union and General Accident may have been less dramatic than at Royal but the return to something resembling health was yawned at by a market hoping to be more pleasantly surprised.

The favourable conjuction of rising premiums, lower underwriting losses and booming stockmarkets – which contributed to their near identical pre-tax profits – has been well discounted, and despite the



bullish prospects for at least another two years the market is already agitated by rumours of earlier-than expected rate reductions in the US.

There is a fearful asymmetry between CU's relative strength in the UK coupled to weakness in the US and the opposite at GA. But while GA's UK problems should be obviated by tightening motor premiums, cracking the US won't be so easy for CU.

The decline in underwriting losses in the US is the main contribution to CU's improvement but its real operating ratio of about 119 per cent – compared with GA on the average of 108 per cent – is a continuing reminder of just how difficult it is to shrink an insurance business.

CU is locked into a below-average return on capital in the US for the forseeable future (which will leave the tax losses hanging) and, having retrenched hardest in the fastest growing sector, its premium growth next year will be half the US average.

Quality of earnings in the UK is improving but everyone did well in the fourth quarter thanks to a reduction in foreign competition.

Its 10 per cent dividend increase is no match for GA's 27 per cent, no matter that CU might argue that its own respectable solvency margin of 70 per cent represents a better use of capital than GA's 90 per cent.

General Motors

Buying in a large chunk of its common stock makes so much sense for General Motors that it is a wonder it did not think of it earlier – before sinking so much capital into buying EDS and Hughes.

The buy-in has certainly struck a chord with US fund managers, who seem to think that they have discovered another mug, namely GM, to assist the savers of Japan in propping up Wall Street.

The planned reduction in GM's capital expenditure, with other cash savings, should mean that the later stages of the $5bn repurchase programme can be covered by cash flow, even if the best hope is for a neutral cash position in 1987.

Yet the yield on GM common is so high, at the best part of 7 per cent, that GM can almost certainly visit the capital markets for medium-term debt to fund its purchases and save 100 basis points by substituting the interest payments for a maintained dividend. That might dent GM's credit rating a fraction, but not for long. Meanwhile, it would be nice if GM could shift a few more cars.

Opec

Opec has had to endure a series of humilations at the hands of the oil consumers over the past few years, so the events of the last couple of days might have afforded the organisation a degree of wry satisfaction. The buyers' strike of the past few weeks, designed to test the $18 price, was going swimmingly and had succeeded in driving the Brent price down to $15.50. Then on Tuesday in came Idemitsu with its big feet bidding for 4m barrels of Dubai crude at $16 each. The market reaction – adding 10 per cent to the oil price in two days – is a fair reflection of the gathering tension as stock levels fall.

Yet there are still about 80 days of stocks in the main consuming markets, which is not a breach of the pain barrier for the companies. After the Japanese indiscretion is put into perspective, refiners will realise that the current spread of crude and product prices means that drawing-down of stock still makes the best sense. The key is whether Opec producers can continue their adherence to official prices – and thus endure still lower production – for about another three weeks. If they can, and it is a very big if, then the 4.5 per cent rise in UK oil shares since Monday will be seen as inadequate recognition.

US chip makers link to combat Japanese

BY LOUISE KEHOE IN WASHINGTON

US SEMICONDUCTOR, computer and electronics companies are to pool technology, resources and funds in a co-operative effort to develop new semiconductor manufacturing technology that will combat Japanese competition, the companies announced yesterday.

Among the companies declaring their support for the industry consortium were IBM, Hewlett Packard, Digital Equipment, National Semiconductor, Intel, Motorola and Texas Instruments, as well as several smaller electronics manufacturers.

The industry consortium, called Sematech, will seek US defence Department financial backing, although the level of funding required has yet to be determined, industry executives said.

"The object of Sematech is to maintain international leadership in an industry that is vital to the Semiconductor Industry Association, which has led the formation of the co-operative. "We can continue to sit back and watch the Japanese target and assault yet another critical US industry, or we can get in gear and do what's necessary to repel this attack. Sematech is one of the strategies we're using.

Details of funding and operation will be worked out over the next two months, said Mr Federman.

Industry co-operation on the level proposed for Sematech is virtually unprecedented in the US and is expected to require exemption from anti-trust laws. Foreign-owned companies are expected to be excluded from the US industry effort.

● Top Japanese industrial executives yesterday stepped up their threats to reduce investment in Europe and close down European factories if a controversial EEC proposal to extend anti-dumping duties is passed writes Carla Rapoport in Tokyo.

In a letter to EEC Government leaders, the heads of four leading Japanese industry associations said that the proposal would slow, or even reverse, the flow of Japanese investment in Europe, cutting off the prospects of thousands of new jobs.

If the proposal were enacted, Japanese-owned factories in Europe would suffer substantial damages, "very likely resulting in the closing down of their operations to the serious detriment of the local economy," the letter said.

The industry associations which signed the letter represent the Japanese electronic and machinery sectors.

The European Commission's plan is aimed at preventing Japanese companies evading anti-dumping duties so-called "screwdriver" operations in Europe.

W. German growth targets threatened

BY PETER BRUCE IN BONN

INDUSTRIAL production in West Germany fell sharply in January, compounding fears that the economy will struggle to grow at anything like the 2.5 per cent forecast by the government for this year.

Official statistics produced yesterday show that industrial output fell 3 per cent in January compared with December. The Government laid much of blame on bad weather although last year, which was also very cold, output actually rose 2.5 per cent.

A comparison of last December and January combined, against the same months a year before, indicates a dramatic 6.5 per cent fall in output in the construction industry and a 9.5 per cent decline in mining production. Output of capital goods, on the other hand, rose 2 per cent.

These figures, combined with rises in unemployment from last November, stagnant economic growth in the last three months of last year and predictions of actual shrinkage in the first 1987 quarter, will weaken the Government's position as it faces five (state) elections in the next seven months.

Next year's planned DM9bn ($4.9bn) tax cut is likely to be nearly doubled, following promises made by Bonn to its major Western trading partners in Paris last month.

Western diplomats in Bonn however, believe the country may face an international crisis of confidence by the summer should the second quarter fail to provide growth should difficult wage and working hour negotiations with the powerful metalworker's union, I.G. Metal, result in strikes.

Yesterday, for the first time, I.G. Metall members stopped work in support of their demand for a 35-hour working week. Some 200 workers downed tools for an hour at a Stuttgart plant owned by Mahle, the Piston manufacturer. "This is the first answer from the factories to the delaying tactics of the employers," said a union official later.

"Warning strikes," are likely to spread to most of the country in the next few weeks as the union tries to put pressure on employers to meet its demands.

I.G. Metall leaders in Stuttgart also confirmed yesterday their plans to ban overtime in the area from next week. The effects of the ban, which will hit Daimler Benz car production, will not be measurable because overtime already agreed with employers will be worked.

US missiles offer

Continued from Page 1

Glitman said the US was "not shooting for any deadline," but wanted an agreement as quickly as it could be reached, provided that it was a good one.

Mr Max Kampelman, the chief US arms negotiator, accompanied by Mr Glitman and other American representatives, will brief the Nato allies on the latest arms control proposals in Brussels today.

They will then fly to Washington to consult President Reagan before Mr Glitman returns to Geneva next week to pursue his negotiations with the Russians.

Mr Helmut Kohl, the West German Chancellor, is to hold talks with President Francois Mitterrand and Mr Jacques Chirac, the French Prime Minister, to try to work out a common Franco-German line on the latest Soviet proposals.

This follows signs in the last few days that France is taking a much more restrained line than West Germany over Mr Gorbachev's weekend offer.

Officials said yesterday Mr Kohl was keen to start the new legislature period by establishing a common line with both Britain and France over the Soviet proposals. The Bonn Government warmly welcomed Mr Gorbachev's dropping of the condition linking an INF accord to America's SDI programme.

The German Government accepts Mr Gorbachev's proposal to reach, along with an INF accord, separate agreement on shorter-range nuclear missiles in Europe.

The Bonn Government believes that the US and Soviet Union could put together an INF agreement within the next few months.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	11	52	Dubrovnik	–	—	—	Malta	F	13	55	Rhodes	F	14	57
Algiers	C	20	68	Edinburgh	F	4	39	Manchester	C	0	32	Rio de J'o	S	32	89
Amsterdam	F	–3	27	Faro	S	22	72	Manila	S	31	88	Rome	S	7	45
Athens	F	4	39	Florence	S	3	37	Melbourne	S	23	73	Salzburg	S	–4	25
Bahrain	C	23	73	Frankfurt	S	–3	27	Mexico City	C	24	75	San Francisco	F	11	52
Bangkok	C	33	91	Funchal	S	22	72	Miami	F	20	68	Seoul	R	6	43
Barcelona	C	13	55	Geneva	C	1	34	Milan	S	1	34	Singapore	R	27	81
[illegible]															

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

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INTERNATIONAL APPOINTMENTS

Montreal Exchange elects head from credit unions

BY ROBERT GIBBENS IN MONTREAL

MR BRUNO RIVERIN, 45, a key figure in the development of the C$30bn (US$22.5bn) Groupe Desjardins credit union movement, has been appointed president of the Montreal Exchange, Canada's second largest stock exchange, in succession to Mr Andre Saumier.

Mr Riverin was an executive with the former Mercantile Bank of Canada before he joined the Montreal Federation of the Groupe Desjardins in 1977. He was educated at Laval University in Quebec City, at Sherbrooke University, near Montreal, and then studied international finance at the University of Paris.

In 1980, he became first president of the Caisse Centrale Desjardins, the Groupe's wholesale banking unit. Five regional groups of the 1,400 Desjardins credit unions are shareholders of the Caisse, plus several financial institutions controlled by the Groupe.

The Caisse Centrale with C$2.6bn assets raises funds in Canadian and foreign money markets and lends to the Desjardins institutions and to governments and their agencies and the private sector. It opened an office in Toronto last year and has plans for one in New York.

Mr Riverin was a potential candidate for the Montreal Exchange presidency nearly two years ago, when Mr Saumier was chosen to succeed Mr Pierre Lortie.

The Montreal Exchange has doubled its share of the combined Montreal and Toronto stock exchange dollar trading volume to about 20 per cent in the past five years, and has introduced options and futures products.

The challenge facing Mr Riverin will be to extend this recovery, get new listings, increase management depth and steer the exchange through the coming deregulation in financial services. The Montreal exchange has lost three senior executives in the past year.

Multi-Purpose Holdings changes

BY WONG SULONG IN KUALA LUMPUR

MAJOR BOARD changes have been announced at five publicly listed companies in the Multi-Purpose Holdings stable, following the revamp of the parent company last month.

Mr Oh Bak Kim, the newly appointed MPH managing director, and Mr Chan Hua Eng, a corporate lawyer, have joined the board of Dunlop Estates, Malaysian Plantations, Bandar Raya Developments, Magnum Corporation and Mulpha International Trading Corporation.

Associates of Datuk Lee San Choon, former MPH executive chairman, have resigned from the board of these companies.

Mr Oh and Mr Chan, together with Mr Robert Kuok and Tan Sri Lee Loy Seng, two of the most prominent Chinese businessmen in South-east Asia, were invited to join MPH by the Malaysian Chinese Association, the largest Chinese political party, which controls MPH.

Their entry was aimed at boosting public confidence, and reviving the fortunes of the group, which suffered big losses during the past two years. Earlier there were fears the group would be dismembered after its biggest shareholder, Kooperative Serbaguna Malaysia, was placed under receivership.

Move at Martin Marietta

MARTIN MARIETTA, the technology company, based in Maryland and involved largely in aerospace, has announced the election of Mr Caleb B. Hurtt as executive vice president.

Mr Hurtt, 55, will continue as principal executive for the corporation's aerospace operations while assuming larger responsibilities in corporate-wide management.

Mr Hurtt has been a vice-president of the corporation since 1980 and senior vice-president in charge of aerospace for the past three years.

Contract for Warner chief

WARNER COMMUNICATIONS, the New York-based entertainments concern, has, at board level, approved a ten-year employment contract with Mr Steven J. Ross, its chairman, reports Reuter.

The contract was opposed by the six board members who are nominees of Chris-Craft, the New York company that has interlocking links with Warner.

The new contract calls for "new bonus awards to be paid out over the period of the contract," based on the price of the company's stock.

More international appointments news, Page 31

Sony executive takes Aiwa presidency

BY CARLA RAPOPORT IN TOKYO

AIWA, one of Japan's major audio equipment companies, has appointed Mr Susumu Yoshida, a career executive from Sony Corporation, the Japanese electrical goods maker, as its president.

The move is the latest in a series of changes made at Aiwa to cope with the slump caused by the rapid appreciation of the yen in the foreign exchange market. Mr Yoshida takes over from Mr Heitaro Nakajima, who becomes an advisor

Mr Yoshida, 63, had been serving on the board of Aiwa since 1984 while still holding the post of vice-president of the Sony board. Sony, which owns the majority stake of Aiwa, has been moving a number of top executives into the audio company recently as part of a major management reshuffle.

The new president, who joined Sony in 1953 as an engineer, was involved in the development of the Sony Trinitron television.

* * *

L. F. ROTHSCHILD, Unterberg, Towbin Holdings, the New York investment bank, has appointed Mr Matthew P. Deane a senior managing director and member of the management committee.

Mr Deane is a vice chairman. The management committee includes Mr John Angelo, senior managing director, and Mr Francois Mayer and Mr Robert Schoenthal, co-chief executives.

Mr Deane, who is in charge of the company's operations division, is to assume additional responsibility for supervision and consolidation of risk management.

The company went public last year. The new appointments are part of a series of management changes.

Top switchround at Kone

BY OLLI VIRTANEN IN HELSINKI

KONE, the Finnish lift and materials handling group, has appointed Mr Matti Matinpalo, 58, as president and chief operating officer of the group. Mr Matinpalo is currently general manager for the Kone lift division.

Mr Pekka Herlin, 54, the former president, becomes chairman and chief executive officer, in succession to his father. Mr Heikki H. Herlin, 86, founder of Krone, who retires from the chairmanship, but retains a seat on the board.

Mr Johan Horelli, 47, who has been the head of Kone overseas and of the group's marine technology side, is to take over Mr Matinpalo's post as head of the lift division.

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You will be a qualified accountant aged between 28 and 35, and ideally have previous corporate accounting experience in a manufacturing environment. More importantly you should have the intellect, analytical and communication skills to meet the demanding responsibilities of this role. Ref: ER915.

GROUP MANAGEMENT ACCOUNTANT

Reporting to the Group Financial Controller, the individual will provide senior corporate management with meaningful information, through the critical review and interpretation of operational performance. The Group Management Accountant will liaise with line management to ensure effective reporting controls, policies and procedures are implemented and will advise and direct senior management on the achievement of business targets.

You will be a qualified accountant, preferably ACMA, aged between 28-35. You should have a track record of achievement, ideally gained in a manufacturing environment. Success will be determined by strong management and interpersonal skills and the ability to prioritise and present financial concepts to operational personnel. Ref: ER916.

Both appointments are seen as *challenging career moves; success in these roles will lead to significant* opportunities for progression.

Please reply in confidence, giving concise career, personal and salary details to **Judith Richardson, Arthur Young Corporate Resourcing, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.**

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To meet this challenge, you will be between 35 and 45 years of age and a qualified accountant.

You will be holding a senior financial position, have been exposed to computers and some of your experience will have been within the construction industry.

As the company is part of a larger group, opportunities for further career development should be available.

Please send a detailed c.v., including daytime telephone number, in strict confidence to George F. Cross, at Management Appointments Limited (Search & Selection Consultants),
Finland House, 56 Haymarket,
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Tel: (01) 930 6314.

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They are seeking to recruit a Finance Director who will establish a creative, interactive relationship with the Managing Director as his principal financial adviser.

Responsibilities will include the computerised development of the Company's management information, financial accounting and costing systems; evaluating capital investment proposals and product development projects; discussing corporate strategy and development with the Managing Director, in addition to functional responsibility for Finance and Data Processing staff.

Applicants should be qualified accountants, aged 32–42 with a high level of technical expertise and a well rounded commercial background. A working knowledge of MOD accounting procedures would be an advantage as well as in-depth costing experience.

Interested candidates should write, enclosing a curriculum vitae and daytime telephone number, quoting ref. 387 to **Philip Rice, MA, ACMA, Executive Division, at 39-41 Parker Street, London WC2B 5LH.**

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Candidates should be qualified accountants, age indicator 33-36, with experience in a manufacturing company which is marketing driven. It is essential that candidates have the personal qualities to succeed and progress within the group which has ambitious strategic plans over the next five years to take it into the top league.

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Curriculum Vitae to: Janet Mitchell, c/o Nabisco Group Ltd., 121 Kings Road, Reading, Berkshire RG1 3EF. By 15th March 1987.

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Accountancy Appointments

Finance Director (Designate)

West Yorkshire **to £25,000 + Car**

Our client is an extremely dynamic, growth orientated £40 million turnover manufacturing subsidiary of a progressive and positively managed UK public group. Their products are supplied to the consumer markets and the company already holds an enviable position in a highly competitive market.

Reporting to the Managing Director, responsibility will be for all aspects of the finance function with initial emphasis on the rapid integration and development of the company's management information systems through the supervision of 40 staff. The successful applicant will also be expected to contribute significantly to strategic business planning and the overall commercial management of the business.

Candidates, aged 30+, will be qualified accountants of graduate calibre who can demonstrate outstanding previous achievements to date, preferably with previous F.M.C.G. experience, strong communication skills and the ability to make an effective contribution to the continued success of the company. A medium term appointment to the Board is envisaged.

Comprehensive relocation facilities are available where appropriate. Interested applicants should write to: *Stephen J. Broadhurst, quoting reference L8307,* at Michael Page Partnership, Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX. (Tel: 0532-450212).

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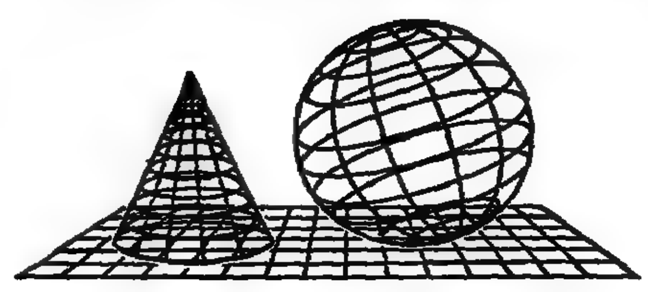
Operational Review & Systems Development Analyst

to £25,000 + Bonus + Benefits



NEWLY/RECENTLY QUALIFIED ACA
COMMODITY TRADING

THE CLIENT: is a leading firm of International Commodity Traders, whose activities cover a wide range of commodities including metals, energy related products, softs and a broad base of trade backed financial services.

THE POSITION: offers great personal career potential and a continuing challenge to make a significant contribution to the development of a *new computerised system,* to meet both the Trading and Operational requirements of the company's expanding activities. This will involve working *closely with* Trading and Operations *staff at all levels in order* to review and determine their requirements, to produce detailed business specifications and co-ordinate the subsequent implementation. Duties will also include other specialist assignments, such as procedural reviews of current controls and reporting policies and the design and introduction of *adopted* recommendations.

THE CANDIDATES: will be young ambitious Chartered Accountants able to display a high level of analytical and conceptual ability and ideally some previous systems experience in the Financial Services Sector. They will also have strong *interpersonal and communicative skills, able to function* well within a team environment and be influential in dealings at all levels.

THE FUTURE: career prospects are excellent, this organisation is dedicated to the recognition and reward of achievement and this is reflected in the highly competitive salary and benefits package *that* accompany this position.

For further information please write enclosing full C.V. or telephone Martin Krajewski.

FIRTH ROSS MARTIN ASSOCIATES, WARDGATE HOUSE, 59A LONDON WALL, LONDON EC2M 5TP TELEPHONE 01 628 2441

Firth Ross Martin
Financial & Professional Selection Consultants

FINANCIAL CONTROLLER

S.W. London

c.£25,000 + car + Bonus

Midas, part of the internationally successful IC Industries group, is the world's largest exhaust and brake replacement company with over 2,000 service centres.

An opportunity has now arisen for a suitably qualified accountant to join our UK head office function based at Mortlake.

Our ideal candidate will be ACA, ACCA qualified and in the 30-40 age range. Reporting directly to the *Managing Director* you will be responsible for providing advice about the financial administration and management of the company in order to *maximise* returns and achieve company objectives. To successfully meet this brief the appointed man or woman must be able to communicate financial information to company personnel at all levels with specific emphasis and reference to field management. *A well developed understanding of the effect of financial controls and of their implementation to achieve* pre-determined goals is essential.

Other areas of responsibility will include contributing to the company's overall expansion plans, preparing monthly profit and loss accounts and developing it's decentralised computer systems.

It is likely that the successful candidate will have had 8-10 years previous experience in a service or retail related industry. The position requires commercial experience gained in the areas of financial evaluation and interpretation coupled with the ability to *manage* and motivate staff at all levels.

If you would enjoy the challenge of working as part of our close knit management team write with a C.V. or phone to:

Roy Davidson, Personnel Manager — Europe,
Midas Silencers Limited,
10-16 Castle Street,
Kingston, Surrey.
Telephone: 01-541 1166

MIDAS®

Group Financial Controller

Central London **£25K+Car**

An active profitable public company engaged in the international field of Sales Promotion and Marketing, is enjoying a period of sustained growth and now seeks to strengthen its financial control by the appointment of a Group Financial Controller.

Reporting to the Group Finance Director, your responsibilities will encompass full control of the financial affairs of the Group with particular emphasis on the integration of new acquisitions into a uniform Group structure which you will have designed and implemented. Good interpersonal skills are an essential requirement.

Candidates, likely to be aged 30-35, will be qualified Accountants who have a wide experience of both financial and commercial appointments and who can demonstrate a strong and creative awareness which will probably have been gained in an aggressive service industry environment.

Interested candidates who meet these demanding criteria should send a detailed curriculum vitae, including current salary, to:

Box A0437, Financial Times
10 Cannon Street, London EC4P 4BY

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

Group Finance Director

Diverse Services Business
Central London ***£30,000, Car***

This fast-growing £20m turnover group combines established profit-making companies under a Friendly Society. The main activities involve financial services and transport operations, employing 300 staff, and thousands of freelance members.

This new position will carry full responsibility for directing all finance and accounting including strategy, planning, budgeting, cash and asset management, evaluation of new and existing activities, taxation, and the raising of finance. Improved financial and management accounting systems are needed to fit the new conditions, and to provide better management information. The existing accounting team is 15 strong.

You will require breadth and depth of experience, plus real personal authority, to help the board continue major change, in an environment successfully combining a long tradition and new entrepreneurial ventures. Age probably 35+.

Male *or* female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to *D. Venables,* **Hoggett Bowers plc,** *1/2 Hanover Street,* **LONDON,** *W1R 9WB,* **01-734 6852,** quoting *Ref: 48024/FT.*

Internal Audit Manager

Home Counties **c£23k+car**

Our client is an important division of a well known, £1 billion plus turnover plc with its prestigious and highly successful retail operations established internationally.

Reporting to a Divisional Director and functionally *to the Group Director of Audit,* this post carries responsibility for ensuring that Group policies are being adhered to throughout the Division as well as reviewing the units' operating procedures. A vital function will be to direct, plan and motivate the audit team in order to achieve maximum efficiency in the department; other duties will include establishing effective communication with operating management and liaising with the Group's external auditors.

Candidates must be qualified accountants, aged preferably in their thirties, with proven management skills in an audit function ideally from within the retail sector. Essential qualities will be the ability to communicate at all levels and to provide sound leadership to an audit team.

The attractive remuneration package reflects the importance of the position and includes a car and other benefits associated with a major Company. Location — Western Home Counties. A degree of travel will be expected with the post.

Please reply in complete confidence to Michael Ham, Bull Thompson and Associates Ltd., Alliance House, 63 St. Martin's Lane, London WC2N 4JX, enclosing full career details and quoting Reference 1214.

Bull Thompson
CORPORATE AND RECRUITMENT CONSULTANTS

ilea *Working in Education*

Financial & Management Director

£22,674-£24,429 inc.

We are looking for a dynamic/innovative manager to fill this senior position within Supplies & Transport Services Branch, which supplies £150m of goods and services to the Authority, London Boroughs and other public sector bodies every year, as well as controlling ILEA Transport Operations. The Branch operates on a trading basis in a fiercely competitive commercial environment.

This is a demanding and challenging appointment for a fully qualified accountant with management accountancy expertise to assist the Director and senior managers in setting and meeting the Branch's financial objectives. Responsibilities cover the analysis of the Branch's financial position within the 4 divisions, monitoring performance measures and maintaining financial controls.

A proven track record and substantial experience within a trading organisation are needed, together with good communication skills, the proven ability to meet objectives and produce solutions to commercial problems and experience of liaising with diverse groups.

This post is suitable for job-sharing.

For further details and an application form, to be returned by 20th March 1987 write to ILEA Supplies & Transport Branch, STSB/PER/REC, Room 703 South Block, The County Hall, London SE1 7PB or telephone 01-633 1480.

Inner London Education Authority

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(with potential to become Financial Director)

Circa £20K + Car

John Bell Technical Systems, experts in the field of Real-Time software engineering, are entering into an exciting new phase of their development programme. Plans for expansion have created an opening for a dynamic and professional Financial Controller with exceptional management and communication skills who can also offer:

- Excellent management reporting abilities
- Sound knowledge of financial planning and budgetary control systems
- *Experience of designing and implementing computerised* accounts systems.
- Demonstrated experience of dealing with banks and *financing sources; ideally with USM launch experience.*

Probably aged 27-35, ideally with a good degree, you must be a qualified accountant.

In return, the rewards will be significant and will include relocation (where appropriate), company car, a *generous* remuneration package to fully reflect your calibre and *substantial* opportunities for further career development.

Interested? If so, write with a full CV or phone:
Debbie Mintowt, John Bell Technical Systems Limited
161 Fleet Road, Fleet, Hampshire GU13 8PD
Tel: (0252) 625121 or (0635) 248860 (evenings or weekends)

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Corporate Acquisitions Director

C£35,000 **Home Counties**

A major, established automotive retail group wish to make a specialist appointment reporting directly to the C.E.O. The main purpose of the job is to spearhead an ambitious growth programme within their five-year *plan.* This will include not only the main vehicle franchise activity but also in the related financial services and automotive "after-market" fields.

The successful candidate, with a recognised accountancy qualification, will have experience in researching a market, identifying opportunities and presenting written projects for board approval. A proven track record in acquisition and hand over to operations management will be important in the final selection.

A highly competitive remuneration package is available for negotiation, together with first-class conditions of employment. Interested applicants should telephone Brian Smith on (0753) 888092 (24-hour answering) for more information or write with full curriculum *vitae* to:

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Jane Liversidge 01-248 5205
Daniel Berry 01-248 4782
Emma Cox 01-236 3769

Financial/Commercial Manager

Central London **c. £27K + Car**

An outstanding executive with comprehensive financial and commercial experience is required for this influential role with a division of a major electronics and *communications* group.

Leading a small HQ team, the successful candidate will manage a variety of ad hoc projects in the accounting, financial, legal and commercial fields – ranging from *subsidiary company formation to financial investigations* and systems design.

He or she will ideally be a graduate with an accountancy qualification and broad-ranging experience gained in a staff role within a *major* organisation or within a consultancy. An entrepreneurial attitude and intellectual flexibility are essential attributes and candidates must have the *potential* for promotion in this fast-developing organisation.

Applications please, in confidence, quoting *ref.* 302/1/FT to S C Mackay at Charles Barker MSI, 30 Farringdon Street, *London* EC4A 4EA. Tel No: 01-634 1143.

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Based in Wellingborough our Accounts Department comprises some 50 staff, and is undergoing radical change. *With the introduction of new systems that* puts the emphasis firmly on computerisation, we are currently planning further developments in areas such as stock control and management reporting systems.

A young Management Accountant with a keen understanding of the latest developments in *accounting technology is now sought to become* involved with the implementation and management of these developments.

Alongside the attractive salary and large Company benefits, relocation expenses are available to the pleasant location of Wellingborough which offers the major benefit of comparatively low cost housing in an area easily accessible to London. Career prospects within this dynamic and rapidly expanding environment *are incomparable.*

Please apply with full personal and career details to:
Mr R J Holman, GEC Reliance Ltd, Turnells Mill Lane, Wellingborough, Northants, NN8 2RB.

GEC Reliance

The Leading Edge

MOCK EXAMINATION – PE3 – PAPER 1 – CAREER DEVELOPMENT

Question 1. (100 marks)

Which Recruitment Consultancy offers The Newly Qualified Accountant access to the most attractive and comprehensive range of career opportunities throughout the UK and Overseas?

Suggested Answer:

For an informal discussion please call: London – Industry & Commerce Hugh Everard 01-831 2000; Professional Juliet Connock 01-831 2000; Corporate Finance Lindsay Sugden 01-404 5751; Bristol Renny Hayes 0272 276509; Birmingham Dean Gollings 021-643 6255; Glasgow Colin Mackay 041-331 2597; Leeds Steve Broadhurst 0532 450212; Manchester Steve Banks 061-228 0396; Nottingham Rod Shaw 0602 410130; Windsor Steve Doyle 0753 856151, (our regional offices cover all career options) or write to Michael Page Partnership, FREEPOST, 39-41 Parker Street, London WC2B 5BR.

MP

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
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Worldwide Opportunities

Our client, a major international practice, is currently using the Michael Page nationwide network of offices to interview and pre-select candidates for their visiting overseas partners in March, April and May.

Their requirements will be for:

● USA ● Bermuda ● East Africa ● Europe ● Caribbean ● Middle East ● West Africa ● Canada ● Hong Kong ● Australia ●

The specific opportunities will vary according to location, however, the emphasis will be for newly qualified ACA s and will include those from small/medium firms, large firms, computer audit specialists and tax specialists.

The individuals sought will be capable of working to the highest professional standards and will, in personal terms, be capable of settling in quickly in a foreign environment.

As would be expected of one of the world's leading firms, remunerations will be competitive and benefits in some instances will include accommodation and a car.

For an *initial interview* at one of the offices listed below contact **Michael Risley** at **Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH** on **01-831 2000 (or 01-879 0975** outside office hours).

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Eagle Star

Opportunities for Newly Qualified ACAs

Having successfully qualified, you are probably considering the next stage of your career. Being part of the major multinational group BAT Industries, and one of this country's leading insurance companies, which also has interests in a diverse range of financial activities, Eagle Star can offer a challenging and forward thinking environment to further develop your skills gained over the last 3 years.

Specific opportunities exist in the areas of tax and general accounting.

Within the tax function you would gain valuable commercial experience alongside a team of qualified tax specialists. In addition to general corporate tax compliance, advice and planning, interesting one-off projects are undertaken.

The accounts function offers an excellent opportunity to gain exposure to all aspects of the business as a key member of the management team. Successful applicants will enjoy the possibility of further career development not only within Eagle Star but also other areas of the BAT Industries Group.

For further information regarding current and future opportunities please contact **Jayne Thomas (Tax)** or **Kristin White (General Accounting)** on **01-831 2000** or write to them at **Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.**

Strictest confidentiality assured.

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Pharmaceuticals

Cheshire — **to £20,000 pkg.**

The Pharmaceuticals business of ICI PLC has a worldwide turnover of c£1bn and operates internationally from its Headquarters in a pleasant part of rural Cheshire.

Opportunities now exist for young accountants to join the finance function and to participate in a structured career development programme, with opportunities for rapid advancement to senior level, both within the business and throughout the ICI group.

Candidates should be recently qualified, graduate accountants who can demonstrate the intellect, drive and ambition required to succeed in this highly competitive environment.

Relocation facilities are available where appropriate. Interested applicants should contact **Alan Dickinson**, quoting ref. 7081, on **061-228 0396 at Michael Page Partnership, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.**

ICI

ICI is an equal opportunities employer.

Fibres

Gloucester — **to £20,000 pkg.**

ICI Fibres, part of the Chemicals and Polymers Group, operates in a sophisticated, consumer marketing environment at the forefront of *synthetic fibre technology.*

An opportunity has arisen for an outstanding young accountant to join this business, initially at its manufacturing location in Gloucester. *This first role will have a management* accounting bias, with emphasis on the development of business systems, but this is essentially a long-term career appointment, with excellent opportunities to progress to senior-level positions throughout the Group.

Candidates, aged 23-28, should be recently qualified, graduate accountants, with well developed communicative and inter-personal skills, who can demonstrate a high degree of self-motivation and ambition. Medium term mobility is essential.

Relocation facilities are available where appropriate. Interested applicants should write to **Stephen J. Broadhurst**, quoting ref. **8226, at Michael Page Partnership, 29 St. Augustine's Parade, Bristol BS1 4UL. Tel: 0272-276509.**

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Newly Qualified . . . . . . Financial Management?

Gloucester — **£Excellent + Bens.**

Our client, English & American Insurance Group plc, a prominent member of the London Market has its Corporate Headquarters situated in Gloucester. *The Group is engaged in* insurance and reinsurance business, underwrites for its own account and acts as underwriting agent and corporate manager for UK subsidiaries of major overseas insurance companies.

The success of the Group is reflected in its high growth rate resulting in immediate requirements for both newly-qualified and experienced accountants. Opportunities are varied and challenging, offering excellent exposure to sophisticated computer systems and high level management reporting, within a dynamic environment. The successful candidates will be expected to make a significant contribution to the running of the *business and must display the capacity to liaise effectively with* management at senior level.

Medium and long term prospects are excellent and the highly competitive remuneration packages are accompanied by relocation expenses where appropriate.

Interested candidates should contact **Paul MacIldowie**, on *(0272) 276509 (24 hours)* or write to him at **29 St Augustine's Parade, Bristol BS1 4UL**, quoting reference: 8068.

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HW

Haines Watts
Chartered Accountants

Haines Watts, a fast growing national practice, is seeking newly/recently qualified accountants for PA/prospective partner positions within several offices throughout the UK. Candidates who have qualified with a smaller practice would not be at a disadvantage as the firm provides comprehensive training at their major offices with close partner involvement and in accordance with a standard training programme.

The firm concentrates on providing a full range of services for the medium to large privately owned company from "start up" to preparation for stock exchange listing.

Candidates should be good communicators with strong commercial awareness and will be looking to further their career with a major firm that can offer real partnership prospects.

For further information please contact **James Cozens** on **Windsor 0753-856151 (evenings and weekends 01-540 8163)** or write to him at **Kingsbury House, 6 Sheet Street, Windsor SL4 1BG.**

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Coopers &Lybrand

Newly Qualified ACAs

Nationwide — **£Negotiable**

Coopers & Lybrand, one of the leading international firms of chartered accountants, seeks newly qualified ACA s to specialise in taxation. Vacancies exist throughout the UK.

It is essential that you can demonstrate proven ability, commercial awareness and the determination to contribute to the continued expansion and development of the UK tax practice. For above average performance and hard work, the prospects for advancement are exceptional.

The package offered, which includes in-house training and full ATII study assistance, is negotiable. Salaries offered to successful applicants will be highly competitive.

For further information, please contact **David Kennedy on 01-831 2000 (evenings and weekends 0793 484451)** or write to him at the **Taxation Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.**

Strictest confidentiality assured.

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For informed career advice on a totally confidential basis please contact **Lindsay Sugden** or **Mark Hartshorne on 01-404 5751** or write to **39-41 Parker Street, London WC2B 5LH.**

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As a result of their continued expansion a position has arisen within the Research Division which provides the entire spectrum of market research services in market sectors such as financial, medical, consumer durables and the automotive industries.

Reporting to the Finance Director the role will give exposure to all areas of the Division's accounting functions with an emphasis on investigative and project based assignments as well as routine reporting, giving the individual overall responsibility for the financial accounting and administrative functions.

As a qualified accountant aged 25-28, you should be keen to develop and extend your experience within a dynamic and commercial environment and be able to offer an imaginative and creative approach to your work. Career prospects within the Division or other parts of the group are excellent.

Interested applicants should contact Charles Austin on 01-831 2000 or write, enclosing a comprehensive C.V., to 39-41 Parker Street, London WC2B 5LH.

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MANAGEMENT CONSULTANT
c £18,000

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European Operational Review

Our client Engelhard, a $2 billion turnover US based multi-national is a world leader in the manufacture of specialty chemical and metallurgical products. The company also engages in precious metal dealing and management which complements its industrial business.

Ideally you will be a recently qualified graduate accountant who can display excellent interpersonal skills combined with an enquiring mind. Reporting to the European Audit Manager, the successful candidates will be responsible for the review of complex manufacturing processes and trading procedures at various European locations.

Prospects for advancement within the company are excellent as is their track record of promotion from this department to senior line management.

For further information please contact Paul MacIldowie on (0272) 276509 (24 hours) or write to him at Michael Page Partnership, 29 St. Augustine's Parade, Bristol BS1 4UL, quoting reference: 8069.

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Recently Qualified

FINANCIAL ACCOUNTANT
to £18,000 package – BRIGHTON

This is a new appointment within TSB Trustcard – the credit card arm of the fast-moving TSB Group.

Reporting to the Chief Accountant, you will play a key role in the preparation of periodic accounts, statutory accounts and all mandatory returns. You will also help develop expenditure reporting procedures.

Candidates, aged 25–30, should be graduate accountants (preferably ACA) who have recently qualified and who can demonstrate the personal qualities and enthusiasm which will enable them to fully develop this outstanding career opportunity.

In addition to an attractive salary, financial sector benefits include mortgage subsidy, non-contributory pension, Xmas bonus and profit share arrangement.

Interested applicants should contact Glynis Evans, Assistant Manager Personnel, TSB Trustcard Ltd, Brighton BN1 4BE (Tel 0273 724666).

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We are expanding rapidly and have added several impressive new names to our growing list of Blue-Chip clients. Our success has been built on the effective use of sophisticated data-base information systems, complemented by sourcing techniques originally developed in the USA. We enjoy an outstanding reputation for the provision of a high quality financial recruitment service to both corporate clients and candidates.

To further extend our activities we are seeking an additional consultant to join one of our established divisions, concentrating on the young professionally qualified sector. After an initial training period you will be given a free hand to create and develop new ideas and participate in the day to day management of the division.

The successful candidate, who will have an accountancy background or financial recruitment experience, will be highly motivated and capable of working in a team-orientated environment, often to tight deadlines. Strong interpersonal skills, commercial awareness and the ability to deal effectively with senior management are essential prerequisites for this position.

We, in turn, offer excellent prospects and a package which includes a high base salary, profit sharing bonus, private health care and company car scheme.

For more information please telephone David Ryves on 01-930 7850 or write, giving brief details to the address below. All enquiries will be treated in the strictest confidence.

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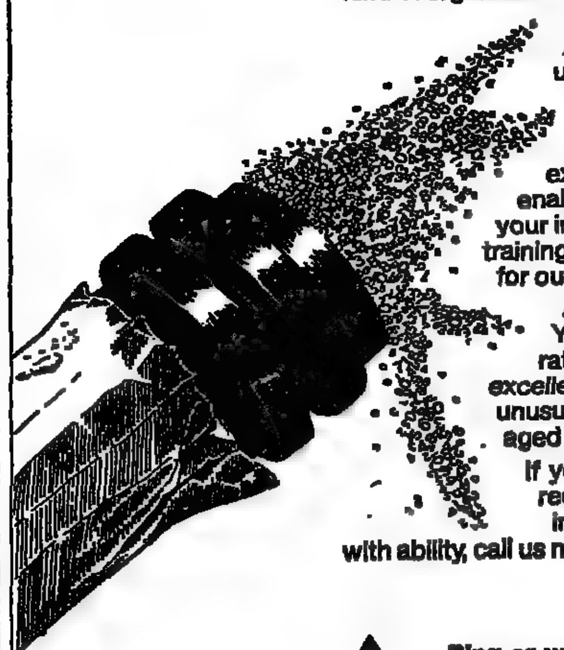

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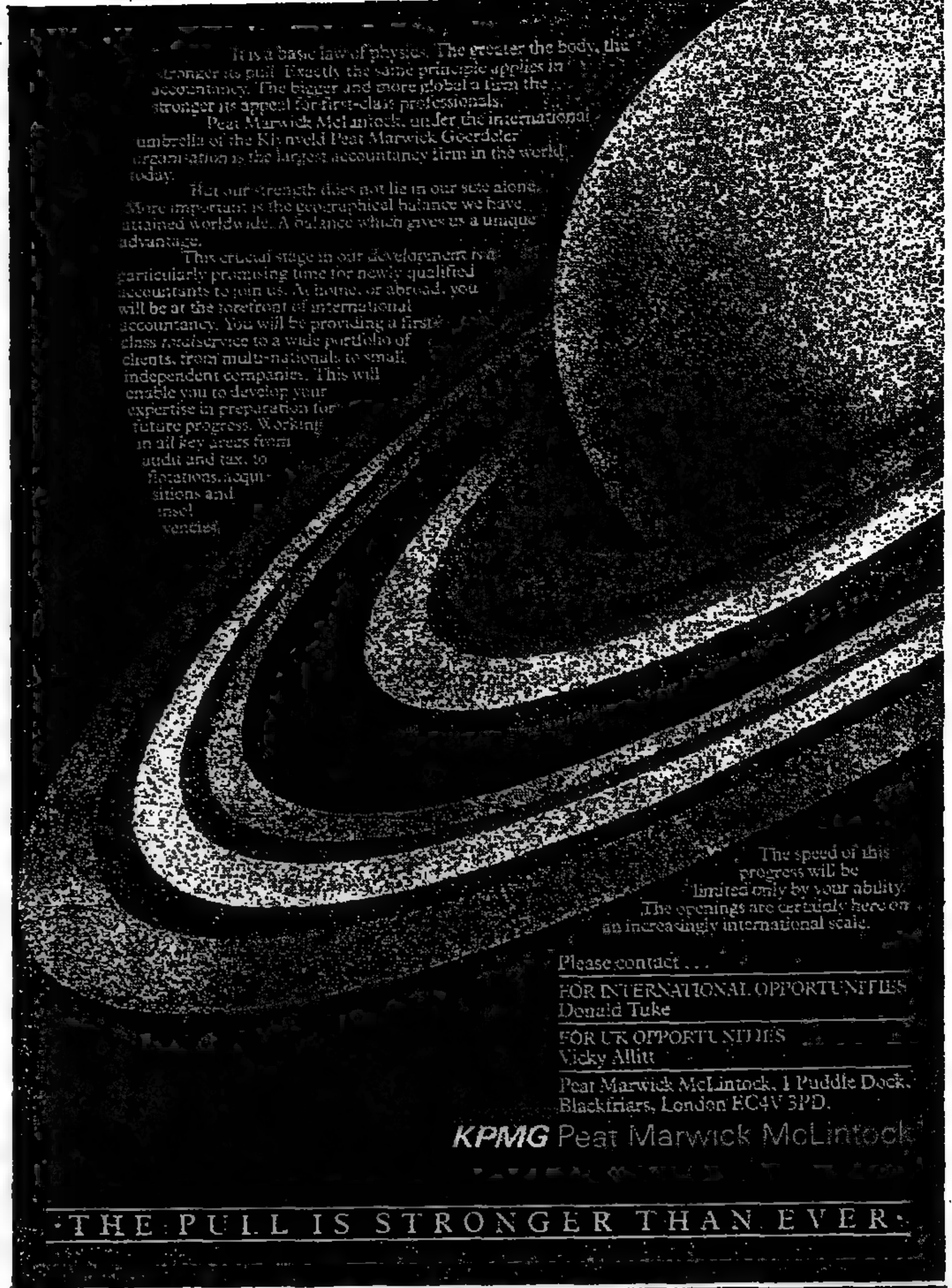

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday March 5 1987

Bull increases profits and aims for fresh funds

BY PAUL BETTS IN PARIS

BULL, the nationalised French computer group, yesterday reported a strong rise in net consolidated earnings to FFr 271m ($44.5m) last year from FFr 110m the year before. Sales rose 10.5 per cent to FFr 17.8bn while cash flow increased 32 per cent to FFr 1.74bn.

Mr Francis Lorentz, Bull's chief operating officer, said the company intended to raise fresh funds through new equity and bonds with warrants this year to help finance investments and its agreement to form a computer venture with Honeywell and NEC of Japan.

Bull is expected to raise about FFr 1bn in fresh funds this year. Mr Lorentz indicated that the French group would seek to raise between FFr 2bn and FFr 3bn on the markets between now and 1990. However, the bulk of Bull's FFr 15bn four-year investment programme would be funded from internal resources.

Mr Jacques Stern, Bull's chairman, said the French group expected to sign the definitive agreements for its venture with Honeywell and NEC by the end of this month. The new venture, in which Bull will eventually acquire a majority stake, will be the first computer company in the world jointly owned by European, Japanese and American partners.

Despite a difficult market for computer companies, Bull expects to see its sales grow by an amount similar to that in 1986 while profits are expected to grow faster. Mr Stern said that last year's results confirmed the French group's financial recovery.

Bull reported losses of FFr 489m in 1984 and of FFr 625m in 1982, edging back into the black in 1983. Its recovery has also been backed by about FFr 3.7bn in state grants during the past three years.

The company said its net equity improved to FFr 3.5bn last year compared with FFr 2.1bn the previous year. Its debt-to-capital ratio has also steadily declined from 8 in 1983 to 1.6 last year.

Research and development spending totalled FFr 1.8bn last year while industrial and commercial investment amounted to FFr 1.7bn.

Fecsa hopeful on bank debt talks

By David White in Madrid

FUERZAS ELECTRICAS de Cataluna (Fecsa), the Barcelona-based power utility which rocked the financial community when its shares were suspended a month ago, is hoping to conclude negotiations on a rescheduling of bank debts within the next two weeks. The move aims to pave the way for a recovery programme including the sale of some of the company's assets.

Mr Luis Magana, Fecsa's new chairman, began formal talks with bank creditors on a one-by-one basis last week. Bank credits account for about half of its total debt, which stood at the end of 1986 at Pta 574bn ($4.46bn), with the largest share – about Pta 184bn – held by foreign banks.

Fecsa said it was seeking to restructure its borrowings through longer maturities and lower interest rates without asking creditors to write off any part of their loans.

However, the talks are being slowed down by the large number of institutions involved and by resistance among some foreign banks – in particular the Japanese – to renegotiate interest.

The company said its immediate cash problems had been solved by the injection of Pta 42bn of fresh funds, enabling it to meet bond payments falling due in the summer.

These funds came in two instalments, the first a credit from five banks in anticipation of Pta 24bn owed to Fecsa by the public-sector utility Enher, and the second a Pta 18bn transfer out of special funds held jointly by Spain's electricity companies.

More international company news on Pages 15–17 and 31

James Buchan on reaction to the US group's boost to shareholders

GM joins the buyback club

MAJOR SHAREHOLDERS and Wall Street investment analysts were yesterday congratulating themselves on the announcement by General Motors, the world's largest industrial company, that it would retire 20 per cent of its stock as a means of increasing returns to shareholders.

However, analysts warned that the buyback could cost the company more than $5bn and sharply increase its borrowings in the years to 1990.

The buyback, the largest in a wave of corporate share repurchases in the US, was announced by Mr Roger Smith, GM chairman, after trading closed on Tuesday night.

Yesterday morning GM's share price, which has marked time while the market indexes have doubled over the past two years, immediately jumped $3½ to $79¾ while its Class E and Class H stocks, also to be reduced, rose $1⅞ to $39⅝ and $⅞ to $43.

"We think it's safe to get back in the water on this stock," said Mr Steven Girsky, an analyst at Paine Webber, the Wall Street investment firm.

In recent years, hundreds of US corporations have bought in and cancelled their shares as a means of raising share prices and returns on their shareholders funds.

While the most spectacular deals have aimed to ward off hostile takeover – as with buybacks by oil groups Phillips ($4.5bn) and Unocal

BIGGEST US SHARE BUYBACKS

	Shares to be repurchased	% of shares outstanding	Cost ($m)	Announcement date
1986	(m)			
Goodyear	52.5	46	2,619	Nov 21
IBM	16	1.8	2,106	May, Nov*
SmithKline	15	19.7	1,440	Nov 28
AmeriTech	9	8.2	1,230	Dec 17
Allied-Sig	25	14.2	1,031	Dec 5
1985	(m)			
Phillips P.	42.5	45.7	4,500	Mar 27
Unocal	55.1	34	4,265	May 30
Arco	63.1	27.6	4,000	May 30
Union Carb.	38.8	55	2,500	Dec 13
Exxon	46.6	5.8	2,300	Oct 30

* Two buybacks combined. Source: Salomon Brothers

($4.24bn) in 1985 and tyre company Goodyear ($2.6bn), early this year – both Chrysler and Ford have used surplus cash to buy in their stock and raise per-share earnings.

Total corporate repurchases probably amounted to almost $50bn last year and were a prime contributor to the market's rise.

While GM is regarded as too big for takeover even by modern US standards, its management has been the target of growing impatience from institutional shareholders as GM's stock price has lagged the market:

● last year, GM's earnings fell 26 per cent to $2.94bn and were surpassed by those of Ford, with less than half GM's share of the domestic market, for the first time since the 1920s. Analysts say that, until a shift in strategy last year, GM was buttressing its market share through unprofitable clearance sales or cheap-finance promotions.

● GM's $40bn capital spending programme has produced few results for earnings. "While Ford and Chrysler were trying to bring value added by increasing efficiencies and improving product mix, GM was re-inventing the wheel," Mr Richard Henderson, an analyst at Pershing in New York, said.

In addition to the heavy investment in upgrading and automating GM motor factories, the company also made large acquisitions in defence and computers with Hughes Aircraft and Electronic Data Systems, represented by the Class H and Class E stock.

● Investors were infuriated when GM agreed to pay over $700m to buy out the holding of Mr Ross Perot, founder of EDS, at prices above the market. Mr Perot had been a trenchant critic of the capital expenditure programme.

The Council of Institutional Investors, a pressure group founded by large public-sector pension funds partly to resist such shareholder favouritism (known as "greenmail"), held a stormy meeting with Mr Smith in late January and criticised the payments to Mr Perot.

"The buyback shows GM is responsive to investors," said Mr Kenneth Codlin, executive director of the State of Wisconsin Investment Board which sponsored a highly critical resolution for GM's annual meeting in May.

"We were trying to get over to corporate America and to GM in particular that shareholders are the true owners of the company and have certain rights," said Mr Steven Matthews, an assistant to Mr Harrison Goldin, the New York City Comptroller, who openly speculated about Mr Smith's removal after the Perot affair.

GM is moving cautiously at first, limiting itself this year to the purchase of a mere 10m common shares and 2.5m shares each of the Class E and Class H stocks, for an outlay at current prices of just over $900m.

In the two years following, GM reckons that its capital expenditure on its motor factories will come tumbling down – to $5.6bn in 1989 – from more than $10bn last year.

VW sees break-even at Seat this year

By Kenneth Gooding, Motor Industry Correspondent, in Geneva

SEAT, the car company bought from the Spanish Government last year by the VW group of West Germany, should reach break even in 1987, Mr Carl Hahn, chairman of VW, said yesterday.

VW already has 75 per cent of Seat and will have paid DM 1.3bn ($710m) by 1990 when it takes full control. The German group is also investing DM 5bn on new models for Seat and factory rebuilding and replacement in Spain.

Seat has declared losses of about Pta 200bn ($1.5bn) since 1978 and there have been hints that it would take VW about five years to return the new Spanish subsidiary to profitability. "We could not afford to wait that long," said Mr Hahn.

He acknowledged, however, that "enormous efforts are needed to bring Seat to solid earnings. Ninety per cent of the work is still ahead – it is a five-year task."

Mr Hahn said that during the run-up to the Geneva motor show Seat had so far exceeded car production expectations. Last year its output rose 6 per cent to about 340,000, including 110 VW-badged cars.

This year Seat's output would rise to at least 375,000 and demand for its cars in Europe were expected to exceed 400,000 a year Mr Hahn said.

Seat's performance could push the VW group's total car production this year above 3m for the first time.

Mr Hahn warned VW would almost certainly see a reduction in output in South America because of the poor economic conditions in Brazil and Argentina.

VW is merging its operations in those countries with those of Ford of the US to form a joint company, Autolatina.

Belgian bank lifts payout

BY WILLIAM DAWKINS IN BRUSSELS

GENERALE de Banque, Belgium's largest commercial bank, yesterday announced that it would recommend a 1986 net dividend of BFr 245 per ordinary share, up from the previous year's BFr 235.

The group said that non-consolidated results for the past year were favourable but that details would not be published until the consolidated figures were available at the end of this month. The dividend increase would be proposed at the annual shareholders' meeting on April 28.

Consolidated profits for 1985 rose 133.7 per cent above 1984 to BFr 4.9bn ($129m). The bank said early last year that the 1986 result would continue to improve.

BMW CHAIRMAN WARNS OF INDUSTRY-WIDE DOWNTURN IN SALES

THE MOTOR industry has been warned to gear itself for lower sales this year following the exceptionally high demand for cars worldwide in 1986.

Mr Eberhard von Kuenheim, chairman of BMW, the West German car group, said at the Geneva motor show that 1986 was a "truly exceptional year – it will probably be a very long time before we see its like again."

He said about 33m cars were built worldwide last year. There were record sales in the world's three biggest markets – the US, Japan and West Germany – and there were record exports from Japan and Germany.

BMW also had a "phenomenal year" in 1986 with record production and sales of more than 446,000 cars, Mr von Kuenheim said. It would be normal for production to slip a little this year.

The company had run out of production capacity, and its third car factory at Regensburg in Bavaria, which came on stream last autumn, "was, to be frank, one or two years late."

BMW had pulled forward the planned second shift working at Regensburg from the spring of 1988 to the autumn this year, he said.

Output at the new plant was 100 cars a day, and this would rise to 450 with the second shift. Another assembly plant at Dingolfing, built in 1973 for an output of 400 cars a day, was now building 1,100.

However, Mr von Kuenheim said it was not BMW's objective to grow beyond an output of 500,000 to 550,000 cars a year up to the 1990s.

Viacom bid battle nears close

BY OUR FINANCIAL STAFF

THE DRAWN-OUT battle for control of Viacom International, the US media group, appeared to be heading towards a close last night following announcement of a definitive agreement for National Amusements' Arsenal Holdings subsidiary to acquire Viacom's publicly held shares.

Viacom said the transaction was subject to shareholder and Federal Communications Commission approval, execution of definitive financing agreements and the expiry of the Hart-Scott-Rodino anti-trust waiting period.

The company said the agreement called for stockholders other than National Amusements to receive, for each Viacom share, $42.75 in cash, a fraction of an exchangeable preferred share valued at $7.75, and a pro-rata portion of the equity in the new corporation so that Viacom holders other than National Amusements would own 17.4 per cent.

National Amusements owns 19.6 per cent of Viacom's stock. If the merger is not completed by April 30, the cash payment will be increased by adding interest until the date of the merger at the annual rate of 9 per cent from May 1 to May 31 and thereafter at a rate of 12 per cent.

Viacom said the agreement called for dividends payable on the exchangeable preferred to begin to accrue from May 1.

Dormann named as Hoechst Celanese chief

By Our Financial Staff

HOECHST Celanese, the US chemicals group recently formed from the merger of Celanese with American Hoechst, a unit of Hoechst of West Germany, has appointed Mr Jürgen Dormann, former member of Hoechst's management board, as chairman and chief executive officer.

The chemical company also said it named Mr Dieter zur Loye, formerly president of American Hoechst, as vice-chairman, while Mr Ernest Drew, former group vice-president of Celanese, has been named president and chief operating officer.

Hoechst Celanese said Mr Richard Clarke, also formerly a group vice-president of Celanese, had been appointed senior executive vice-president, and Mr Harry Benz, former executive vice-president and chief financial officer of American Hoechst, has been named executive vice-president and chief financial officer.

Celanese's fibre operations, meanwhile, will operate separately as Celanese Fibers, a wholly-owned unit, pending divestment of certain polyester textile fibre assets.

● RJR Nabisco, the US tobacco and foods group, said Mr J. Tylee Wilson would step down as chairman in April, speeding up his phase-out from the helm of the company, AP-DJ reports from Winston Salem.

Mr Wilson, 55, had ceded the chief executive post to Mr F. Ross Johnson in January and was originally scheduled to stay on as chairman until retirement in January 1988.

Swiss Bank ahead at year-end

BY WILLIAM DULLFORCE IN GENEVA

SWISS BANK (SBC), the last of the three big Swiss banks to report, yesterday disclosed an 11.7 per cent increase in net earnings to SFr 674m ($435m) in 1986. Union Bank of Switzerland and Credit Suisse announced profit growths of 12.2 per cent and 12 per cent respectively.

Swiss Bank's board proposes to pay an unchanged dividend of SFr 13 per registered share, bearer share and participation certificate. Allowing for the 9 per cent increase in shareholders' equity last year, the SFr 437.2m payout will be SFr 34.4m higher than in 1985.

Mr Walter Frehner, SBC chief executive, said he was sure shareholders would recognise the importance of protecting the bank's long-term profitability and agree to hold dividend payments.

SBC's balance-sheet total expanded 7.7 per cent over 1985 to reach SFr 137.8bn, while reported capital and reserves climbed 14.7 per cent to SFr 8.5bn.

Mr Frehner said that if subordinated loans were added SBC disposed of more than SFr 10bn "own funds" at the end of 1986. He said reported capital and reserves had advanced in the past five years from 5.5 per cent to 6.2 per cent of the balance sheet total. In this "comfortable situation" the bank would not be looking for new equity capital this year.

Cash flow last year increased by 10.6 per cent to SFr 1.3bn, allowing "ample provisions" to be made. Allocations to depreciation, loss provisions and write-offs rose SFr 58.6m to SFr 658.4m.

Last year's profit improvement was attributed mainly to returns from securities business and foreign exchange operations. Net commission income climbed by SFr 117m or 11.5 per cent to SFr 1.14bn. Savings and other term deposits increased, for the first time in several years, by 9.2 per cent to SFr 15.3bn.

Metrologie listing to raise FFr 150m

BY OUR PARIS STAFF

METROLOGIE INTERNATIONAL, the leading distributor of microcomputers and peripherals for the French professional and industrial market, plans to list one of its subsidiaries on the Paris second, or unlisted, securities market and raise FFr 150m ($25m) in fresh capital by issuing new equity and bonds.

Mr Roger Haddad, president and co-founder, said the group's Metro Service subsidiary, which specialises in micro-computer and other high technology maintenance services, would seek a listing this summer on the flourishing French second market.

The group had also decided to increase a proposed new issue of equity and bonds from FFr 100m to around FFr 150m. Both issues include warrants.

The moves follow the group's successful listing on the second market two years ago. Metrologie International, started up 10 years ago by Mr Haddad and Mr Alain Schwartzmann, the group's general manager, expects its sales to increase to FFr 760m this year from FFr 640m in 1986, with net earnings rising to about FFr 17m this year against FFr 13.5m.

Apart from the founding members, the groups main shareholders include Unitech, which is based in Reading in the UK and is a leading distributor of industrial electronics in Britain, and Paribas.

Race for CGCT control enters last lap

BY OUR PARIS STAFF

AS THE BATTLE for the control of France's Compagnie Générale de Constructions moves into its final phase with a review of the bids by the French authorities, the perceived front-runner, AT&T, is facing challenges by two strong partnerships.

Last week the US group and its running mate, Philips of the Netherlands, teamed up with the French SAT telecommunications group in an effort to enhance its bid prospects.

The companies have also linked up with a group of French financial investors including Compagnie du Midi and five French unit trusts to ensure that the partnership is 80 per cent held by French interests as required by privatisation law.

Although the AT&T grouping is widely seen as the French authorities' favoured solution, it is facing a challenge on two fronts.

One includes an alliance between Siemens of West Germany and Jeumont-Schneider, the telecommunications and engineering subsidiary of the private French Schneider group.

Their bid would set up a new company 80 per cent held by the French group and 20 per cent by Siemens.

The winner of the bid battle will become the second supplier of the French telecommunications authority after CGE's Alcatel subsidiary of public switches.

The Siemens bid has also been supported by some members of the French Administration and has long been seen as a serious challenger to AT&T'S 18-month efforts to gain a foothold in the French public telephone switch market.

The third bid regarded to have a strong chance is an association between Ericsson of Sweden and Matra, the French state-controlled defence and electronics group, which has already acquired CGCT's private telephone business.

The Matra and Ericsson grouping also includes Bouygues, the construction group interested in the service aspects of the telecommunications industry, and Banque Indosuez.

Northern Telecom of Canada, which finally decided to enter a bid, has, unlike the others, so far not found any French partners although the possibility remains open.

However, the Canadian group is understood to have made proposals involving an industrial investment of FFr 1.8bn ($300m) in France, pledges to export FFr 2bn worth of French equipment over five years and trials of France's Minitel videotext terminals in Canada.

The Government has fixed a price of FFr 500m for CGCT

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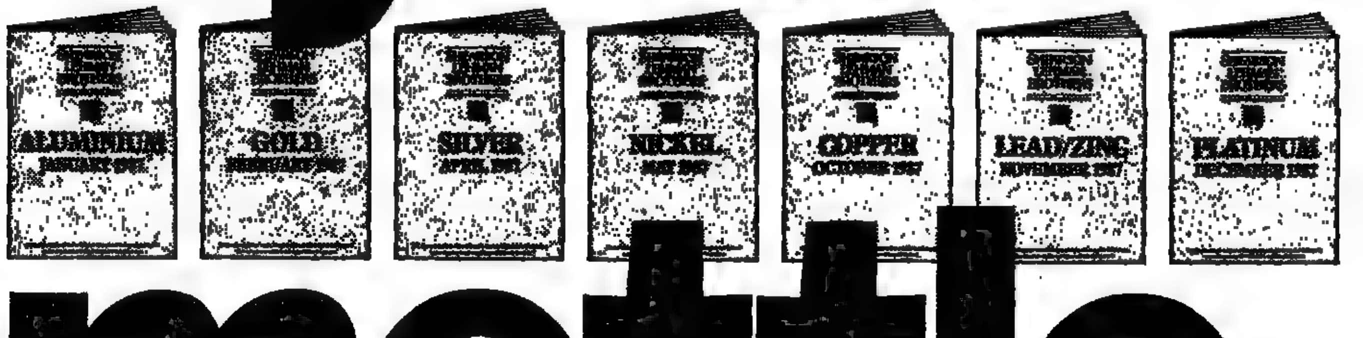

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INTL. COMPANIES AND FINANCE

Scott Paper takes European view

BY ANDREW BAXTER IN LONDON

SCOTT PAPER, the US tissue and paper products group, expects to make further improvements in productivity in the UK following last year's move to take full control of Bowater-Scott, the former joint venture with Bowater Industries.

The purchase for about $60m of Bowater's 50 per cent interest in the venture, whose top-selling brands include Andrex toilet tissue, was a key element in the development by Scott of a pan-European strategy for its products, Mr Philip Lippincott, chairman and chief executive, said in London yesterday.

Mr Lippincott said the development of this strategy had led the company to look at costs and productivity on a European basis over the past two years, rather than for the UK alone, as had previously been the case with Bowater-Scott.

Employment at the group's UK plants has fallen by about 600-700 since 1983 and now stands at 3,100. Mr Lippincott warned that further job cuts might be required to achieve productivity improvements that "will dictate long-term survival."

He said production from Scott's Italian mills was running at an annual rate of 115 tons a man, against 50 in the UK. However, it would be wrong to assume that the Italian figure represented a UK target.

Mr Lippincott said the new softer-textured Andrex toilet tissue, launched at the end of 1985, had exceeded expectations and capacity. New technology enabling paper machines to achieve extra softness without sacrificing "strength and security" had led to the new brand.

Elsewhere in Europe, the company has yet to decide on the site of a new papermaking plant in France, another important part of its European plans.

Scott has a 25 per cent share of the European tissue paper market, which the company considers to offer greater opportunities for growth than the more mature US tissue market.

European sales rose from $605m to $746m last year, assuming consolidation of Bowater-Scott for the full year, while pre-tax operating profits, excluding interest costs, jumped from $44m to $84.5m, partly reflecting currency factors.

Mr Lippincott said he would be disappointed if European sales did not reach $1bn by 1990.

Scoville's Moulinex stake sold to institutions

BY DAVID HOUSEGO IN PARIS

FOREIGN institutions have purchased a 19.9 per cent stake in Moulinex, the French household appliance manufacturer, from Scoville, the US producer of kitchen equipment.

The deal comes at a time when the future of the company – one of the French industrial successes of the post-war years before it ran into financial troubles – is in doubt because of uncertainties over the succession to Mr Jean Mantelet, 86, the founder, president and principal shareholder. Mr Mantelet has increasingly distanced himself from the running of the business and said that he would like to hand it over to the management.

The institutions, which included some US and European buyers, paid $45m for the 2.9m shares on the basis of a closing price on Tuesday of FFr 108 ($17.70) a share. The deal was arranged by James Capel, the London stockbrokers, who said yesterday that they could have easily placed twice that number.

Moulinex, which confirmed the move, said the operation was "not negative" and that the shares "could have fallen into less friendly hands."

Moulinex suffered first half losses in 1986 of FFr 199.8m because of provisions and restructuring costs after losses in 1985 of FFr 34.9m. It expected some improvement in the second half.

All of these Warrants have been offered outside the United States and may not at any time be offered or sold in the United States or to citizens or residents thereof.
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INTERNATIONAL COMPANIES and FINANCE

Malayan Banking first-half profits slide

MALAYAN BANKING, the leading Malaysian institution, has reported a decline of more than a quarter in first-half net profits, to 25.2m ringgit ($10m), writes our Kuala Lumpur and Financial Staff.

The consolidated result for the six months to December compared with 33.8m ringgit for the same period of 1985, and came on a 17 per cent decline in profits at the bank alone, to 21m ringgit from 25.4m ringgit.

Group assets expanded to 23.4bn ringgit from 23.1bn ringgit, reflecting modest growth in both loans and deposits.

United Bank of Kuwait ahead

UNITED BANK of Kuwait boosted pre-tax profits last year by £3m to reach £15.3m ($23.9m), which the London-based institution attributed in part to an expansion of its management operations, Our Financial Staff writes.

Net assets grew from £2.27bn to £2.32bn, and shareholders' funds were £134.1m against £132.5m. Mr Fahad Al Rajaan, the chairman, said UBK had "positioned itself to take advantage of the upturn of the markets."

French Bank lifts dividend

FRENCH BANK, the 27.5 per cent-owned South African affiliate of Banque Indosuez, increased its disclosed after-tax profit to R8.4m ($4.05m) in 1986 from the previous year's R1.5m even though demand for credit remained weak.

The dividend has been lifted from 15 to 20 cents a share, writes Jim Jones in Johannesburg.

The bank's audited results do not disclose any balance sheet details, but the directors say that asset yields improved, particularly in foreign trade. French Bank specialises in financing South African agricultural exports.

Disclosed earnings rose to 80.3 cents a share from 71.8 cents.

Chia pulls out of Australian project

BY CHRIS SHERWELL IN MELBOURNE

HEAVY COST over-runs and *damaging delays* have forced Mr Jack Chia, the Singapore-based entrepreneur, to accept a loss and withdraw from Australia's largest urban property development project.

An announcement yesterday said Australian Guarantee Corporation (AGC), the major financial backer of the project and part of the Westpac banking group, would pay the Jack Chia group A$16.2m (US$11m) for its investment and take over the Melbourne project.

But a separate statement from the Jack Chia organisation said the group would receive A$2.8m for its 20 per cent equity stake, a A$1m project management fee and suffer an extraordinary loss of A$12.5m for the year which ends this month. Half of this, it added, would be sustained by the Chia family company and would be spread over a number of years.

The *ill-fated project*, costed at A$400m some 5½ years ago but now estimated at A$1bn, was strongly supported by the Victoria state government and is now a source of embarrassment to the ruling Labor Party, Party.

The opposition Liberal Party yesterday called for an inquiry into the affair. The Government denied any responsibility and pointed to the property boom which has taken place under *its administration*.

The project itself involved the development of a large 5 hectare site in South Yara, an underdeveloped suburb of Melbourne, into a retailing, office, hotel and residential *complex*.

Each phase of the project was supposed to finance the suceeding one, but the first stage has yet to be completed because of cost increases, planning delays, industrial disruption and wet weather.

Yesterday's announcement followed the suspension of trading in Chia on Tuesday, in Australia, Singapore and *Malaysia*. This came in the wake of reports that AGC had asked an outside company to investigate the explosion in costs of the project.

Steven Butler adds from Singapore: Mr Chia has raised more than S$80m (US$37.4m) in Singapore in recent months through a *gradual selling off* of his shares of Haw Par Brothers the trading group in which he once held a 24.9 per cent stake.

Liquidation of his holdings in Haw Par appears to have been a *substitute to earlier plans to* issue S$56m in convertible unsecured bonds by Jack Chia-MPH. These plans were first mooted in July last year, and were recently called off.

United Industrial in bid for Jason Mining

BY STEVEN BUTLER IN SINGAPORE

UNITED INDUSTRIAL Corporation (UIC), the Singapore *detergents*, property and *investment* group, yesterday announced a general bid for Jason Mining, the Australian gold mining company with extensive interests in Indonesia, Vanuatu, and Australia.

The offer—A$1.80 a share—is conditional on approval by the Australian Foreign Investment Review Board and sufficient acceptances to give UIC majority control of the company.

UIC acquired a *14.98* per cent stake in Jason last September for A$0.80 a share. The bid places a value on the company *of* some *A$71.6m* (US$48.6m).

If successful, the offer would represent a strategic diversification for UIC, a cash-rich company which has been looking for investment opportunities outside Singapore. It is also seen as a vote of confidence in the future of gold mining in Indonesia.

The timing of the bid is believed to be related to recent volatility in Jason's shares in Australia. Pancontinental Mining, Jason's largest shareholder, has recently been raising cash and this has prompted speculation that it might make a bid for the company. *Share prices have risen* from about A$1 earlier in the year, to a high of about A$1.80, although prices eased when a *bid* failed to materialise.

The UIC bid could touch off a battle between UIC and Pancontinental for control of Jason.

UIC's first venture into gold mining came last September when it purchased a A$5.12m, 10 per cent interest in Pelsart Resources, another Australian company which is part of the Parry group, with extensive tracts *in Indonesia*. Some *of* Pelsart's tracts in Indonesia are operated jointly with several partners, including Jason Mining.

UIC's profits have risen sharply in recent years, and are thought to have doubled to about S$50m (US$23.4m) in 1986.

ASHTON MINING more than trebled 1986 net profits to A$29.04m (US$19.73m) *from* A$9.01m due to the successful establishment of the large Argyle *diamond* mine, Reuter reports from Melbourne.

Ashton, which is owned 46.3 per cent by Malaysia Mining Corporation, said Argyle yielded 29.2m carats of diamonds in its first year in full operation. *It holds* 38.2 per cent of Argyle while CRA holds 56.8 per cent. Ashton showed revenues of A$82.89m, up from A$14.69m.

Earnings per share rose to 14.7 cents from 4.6 cents. Ashton said it would distribute 7 cents per share from the share premium account instead of a dividend.

The group said it would maintain the rate of diamond exploration in the Northern Territory and Queensland this year, *while gold and diamond* exploration would start in Indonesia.

Mixed results for foreign banks in Korea

BY MAGGIE FORD IN SEOUL

FOREIGN BANKS operating in South Korea showed a combined net earnings fall of 11.4 per cent in 1986 to 71.6bn Won ($83.7m), the first decline after some years of steady profits growth.

Branches of US banks suffered the most, with Bank of *America recording a profit of* W4.7bn compared with W8.3bn in 1985. Profits at Citibank's Seoul branch, the top earner, fell from W10.7bn to W9bn.

Bankers blame the appreciation in the South Korean currency against the dollar for the abrupt halt in profits growth. British banks, dealing in sterling which has not depreciated against the Won, managed profits growth of more than 60 per cent from an aggregate W6.6bn to W9.9bn. Earnings at *Continental European* banks remained static.

Since the South Korean Government introduced severe restrictions on lending by foreign bank branches last year, bankers have been forced to look for new ways of maintaining earnings.

Large companies, where commercial borrowing has also been frozen as the country tries to control and speedily reduce its $44bn foreign debt, have found that leasing, rather than buying equipment and machinery can be one answer.

Banks have in their turn made profits from lending to *leasing companies, many of* them joint ventures with foreign companies which qualify as suitable borrowers under the Government's plans to promote small and medium businesses.

The severe difficulties facing South Korean construction companies with projects in the Middle East have also provided opportunities for foreign banks. Outstanding payments are believed to have reached around $20bn, and arrears may have amounted to as much as around $3bn.

Bankers looking at the long-term believe that as in Japan, South Korea will become a creditor country with just as much need for expertise in placing surpluses as in arranging loans.

Anglovaal Industries makes solid progress

By Jim Jones in Johannesburg

ANGLOVAAL INDUSTRIES, the industrial arm of South Africa's Anglovaal mining house, improved turnover and profits in all its divisions except construction in the six months to December.

Turnover rose to R1.39bn ($670m) from R1.15bn and the interim pre-tax profit increased to R103.6m from R72.1m.

South Atlantic, which is 75 per cent-owned by Anglovaal and which holds the group's food interests, increased both *sales* and *profits* in *its frozen* foods division. The dry foods and beverages divisions increased tea sales but suffered lower coffee sales as consumers resisted higher prices.

The glass packaging and electronics sides increased sales and profits, but subsidiary Grinaker's construction operations continued to be affected by a scarcity of orders and extremely narrow margins. Textile sales improved.

Interim net *earnings* were 188 cents a share against 111 cents in last year's first half.

● **Cullinan**, the South African refractories and building products manufacturer, continued to be affected by weak demand in the six months to December but managed to increase pre-tax profit to R5.5m from R4.4m and turnover to R97m ($46.7m) from R82.1m.

Holmes a Court to sell Perth evening paper

By Our Financial Staff

MR ROBERT Holmes à Court's Bell Group has agreed to sell the Daily News, the Perth evening newspaper, to United Media, a company associated with *stockbroker Mr Rene Rivkin.*

The disposal was required by Australia's Trade Practices Commission on monopoly grounds. Bell Group acquired the News through the purchase of West Australian Newspapers, formerly part of Herald and Weekly Times, the Melbourne publishing group which itself was taken over by Mr Rupert Murdoch's News group.

The A$200m (US$135.9m) acquisition of WAN, which also owns a Perth morning title, has now been completed, Bell said yesterday.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Stephen Fidler on a business seen as the ultimate proof of a securities firm's mettle

Portfolio trading shifts risks onto brokers

IT HAS been described as the new symbol of virility in the international share markets of post-Big Bang London.

A high-risk business that is seen as the ultimate proof of a securities firm's mettle, it can cut by more than half the costs of deal-making for the big institutional investors that drive share markets.

Yet the practice, rarely seen in London before the October 27 reforms of the London Stock Exchange, has already been responsible for sizeable losses at a number of securities firms.

In London, the business of asking brokers to tender to buy, sell, or switch large baskets of unknown shares is often called "programme trading."

The phrase has been imported inaccurately from the US, where it describes the computer-driven switching of stocks for funds usually linked to market indices or arbitrage. Several institutions in London prefer the term "portfolio trading."

In the UK market, brokers think an average £500m a week of portfolio trades may already be taking place, compared with the average daily equity volume of £1.3bn on the Stock Exchange in January. International portfolio trades of non-US stocks handled through London account for perhaps another £100m to £200m weekly.

Most such deals involve less than £100m. The largest in the UK was a £600m-plus trade in November for Postel Investment Management, the Post Office Pensions Fund.

This deal, involving both sales and purchases of a range of UK stocks, was won by James Capel, probably the only non-market maker in the UK portfolio trade business.

"Portfolio trading is eroding the income base of the market, forcing firms to take greater risks for a reduced reward," says one senior dealer who, despite his views, regularly bids for such deals.

Post Big Bang, a £100m portfolio deal in widely-traded UK alpha stocks—£50m of purchases, the same amount in sales—could cost an institution as little as £500,000. Half of this would go in the recently-lowered stamp duty transactions tax and the total return to the broker, charging no commission, could be as little as £250,000.

Prior to Big Bang, with commissions, wider dealing spreads and a 1 per cent stamp duty, the costs of the deal might have ranged up to £1.5m, of which the broker's cut whould have been as high as £1m.

Institutional investors say their costs have tumbled. They also gain from the fact that portfolio trades allow them to transfer the execution risk of a complex series of deals to the broker.

Three main risks

The securities firms take on three main risks—market risk, stock risk, and what might be called "integrity risk."

The willingness of institutional investors to transfer the market and stock risk (the danger that the market or an individual stock might move adversely) suggests they are not confident that they can beat the market in the short run. Indeed, an increasing number of fund managers seems to be indexing portfolios, either tacitly or expressly.

The main "integrity risk" for the broker is the possibility that an institution may use the trade to unload a bundle of unmarketable stocks onto an unsuspecting bidder.

The problem of illiquid stocks has led some firms to stop bidding for portfolios which contain them. Others promise to trade them only on a best-effort basis, since positions even in UK beta stocks, the second most marketable grade, can often take a month or longer to unwind.

The question of trust is a two-way street, however. "The market leaks like a sieve," says the chief of one large British pension fund.

His early experience with information leaks into the market, leading to adverse share price movements, has prompted him to reduce the number of bidders the fund invites into deals. Now two, rather than half-a-dozen, firms are asked to bid. He has also reduced the time between inviting and awarding the winning bid, and has cut down the size of the tenders, for the same reason.

"Clearly a great mistake is to invite a lot of people to tender. The fewer people who are involved in the bidding process, the more successful it's likely to be."

The securities firms face a similar problem. The head of trading at one UK firm says he declined to bid on a recent £150m portfolio sale because he understood eight firms had been invited to tender. Indeed, the deal was common market knowledge even before it was complete.

Reducing the number of competing firms allows an institution to give more detail about the shares in the deal. Generally, the greater the detail, the tighter the pricing.

Bidding for a package of UK alpha stocks, which trade at an average spread of 0.6 per cent between bid and offer prices, is a relatively simple affair once the market value of the portfolio is known.

When less marketable UK stocks are involved or shares from several countries are included, formulating bids is more complicated.

Intense competition

"We want to know the type of stock—alphas, betas, gammas—nationality of the companies, industry sectors, if possible. We want to be sure, for instance, that one stock does not make up a disproportionate amount of any deal, or a significant portion of that company's capitalisation," says the head of trading at a US securities firm in London.

Dealing in some foreign stocks also brings complications in delaying settlements. If the national composition of the stocks is known beforehand, however, these difficulties can be built into the price.

Competition among securities firms is intense. To win deals, some firms are said to have bid net prices in the middle of the usual dealing spreads. Such *bids have invariably* been *on* all-buy programmes, probably reflecting a market view, and may even have been profitable given the current UK market rally.

The risks in such bidding are high. Such vbgkqj etaoin nun high. The UK stock index futures market is used by UK portfolio traders to hedge their positions. Liquidity is not yet sufficient, however, in contrast to the US markets, to make it practical to hedge in size in the UK. Hedging an international portfolio is effectively impossible.

Yet aggressive bidding does not seem to be buying client loyalty. One fund manager, for example, is said to have tendered for 8 to 10 of such deals, and no firm has won more than once.

Another fund manager, while expressing no desire to "take a broker to the cleaners" on any deal, says decisions on where to award a tender are based on price alone. So much for research and for investor-broker relationships.

Some in the market believe that big losses in early deals have forced many firms to think again, and some may already have withdrawn from bidding altogether. Pricing is, as a result, becoming more realistic.

But others *disagree. According* to one head trader: "The day of the kamikaze deal is still with us."

So why, with the high risks, low returns and major headaches, do securities firms want to be in the business?

Mr Peter Rawlings, executive director of Shearson Lehman Brothers International, says the decision is strategic. In a global market, firms such as Shearson believe they must be responsive to the demands of their institutional clients. "We have got to be in there and getting our hands dirty."

Others believe the philosophy behind it is less rational. Securities firms are feeling their way in an unfamiliar environment, unsure of where profits will be made but wanting to be seen as active.

"Portfolio trading is a macho business. Some brokers consider their virility is at stake if they are not involved in it," says one senior trader.

Dollar sector sags under the weight of new paper

BY STEPHEN FIDLER

THE EUROBOND market was awash with new issues yesterday in a number of currencies, and the dollar sector was sagging somewhat with the weight of new paper.

The day's largest deal was a three-tranche issue brought by Dresdner Bank for Hoechst, totalling $500m.

Initially the deal went well, for while the German company has not been rated, it is some time since its name has been seen in the dollar bond market.

Dresdner, no doubt conscious of theindigestion such a deal might cause in the market, priced the deal generously.

The $100m five-year tranche, priced at 100½ with a 7⅛ per cent coupon, ended the day at a discount within its 1⅞ per cent fees.

The $300m seven-year slice, priced at 100½ with a 7½ per cent coupon, and the $100m 10-year portion, priced at 101 with a 8¼ per cent coupon, came off the day's worst levels to be quoted at discounts close to fees of 1⅞ per cent for the seven-year and 2 per cent for the 10-year.

Japanese borrowers were active in several sectors of the market, predominantly in dollars. Sumitomo Bank Capital Markets raised $180m through a five-year bullet issue, which caried a 7½ per cent coupon and a price of 101⅝. It was led by Shearson Lehman Brothers International.

A $75m seven-year issue for Kanematsu-Gosho, the trading company, guaranteed by the Bank of Tokyo, was brought by Nomura International. With a coupon of 8½ per cent and an issue price of 101½, it was trading around the level of its fees, less 1⅛.

Two Japanese banks came via Nomura with convertible deals on almost identical terms. Ashikaga Bank and Hokkaido Bank issued deals of $50m and $30m respectively.

Both carry coupons of 2½ per cent, identical call protection, and will be priced next week at a conversion premium of 5 per cent over a six-day average of the share price.

Dai-Ichi Kangyo tapped the sterling sector for £50m through its London securities arm and Morgan Grenfell. The five-year deal was priced at a 30 basis point premium to the equivalent UK Government bond, with a 9⅝ per cent coupon and a price of 101⅜.

INTERNATIONAL BONDS

A seven-year, £40m issue for American Express Overseas Credit Corp was priced around 18 points above gilts. Searson Lehman Brothers International set a 10 per cent coupon and an issue price of 101⅞.

These pricings were not widely regarded as generous, but the continued rally in the sterling bond markets, which led to a sell-out of the Government's part-paid £1bn tap issue announced on Monday, helped.

Two Euroyen issues were brought to market, both for Scandinavian borrowers. Nordic Investment Bank issued Y15bn of five-year paper, priced with a coupon of 4⅞ and a price of 103, through Sanwa International.

Den norske Creditbank also issued five-year paper, this time with a zero coupon, through Daiwa Europe. With a face value of Y19bn, the issue was priced at 80.9 to yield 4.735 per cent.

A subsidiary of Belgium's Kredietbank launched an Ecu 75m issue through Credit Suisse First Boston. The four-year deal carried a 7½ pre cent coupon and was priced at 101½.

In the Australian dollar sector, Hamburgische Landesbank Girozentrale lounched an A$50m, four-year bullet issue with a coupon of 15 per cent and a price of 101½ through Orion Royal Bank. There is a statutory guarantee from the City of Hamburg.

Monte dei Paschi di Sena also *launched an A$40m three-year* issue through Mitsui Finance with a 15½ per cent coupon and priced at 101½.

In a narrowly mixed DM sector, two new issues were launched. A two-tranche DM 400m bond for Statoil, the Norwegian state oil group, had a DM 200m 10-year portion priced at par with a 6½ per cent coupon, and a six-year maturity priced at 100½ and a 5⅞ per cent coupon. Lead was Deutsche Bank and the issue was trading well within its fees.

Japan Synthetic Rubber launched at DM 100m issue with equity warrants through BHF-Bank. With an indicated coupon of 2¼ per cent, and an indicated conversion premium of 2½ per cent, the bond matures in 1992.

Japanese borrowers dominated the Swiss franc sector with three private placements. A SFr 50m, five-year straight bond for THK, a manufacturer of machine tools and industrial components, was given a 4⅞ per cent coupon and priced at 100½.

Nokia establishes ADR programme in New York

BY OLLI VIRTANEN IN HELSINKI

NOKIA, Finland's largest *industrial group*, with interests in electronics, forest and rubber industries, has established a sponsored American Depository Receipt (ADR) programme, with Citibank NA as depository.

The ADRs, each of which represents one free preferred share, will be traded on the over-the-counter market in New York. Market makers include First Boston Corporation, Goldman Sachs and Arnhold S. Bleichroeder.

Mr Kari Kairamo, Nokia's chairman, said yesterday that since the US is becoming increasingly important for Nokia, the company wanted to make its shares more easily available to US institutions and individuals.

In a separate move, Nokia's directors decided to propose an increase in the dividend for 1986 from FM 2.80 to FM 3.00.

Japan eases requirements for Euroyen bond issues

BY YOKO SHIBATA IN TOKYO

THE JAPANESE Ministry of Finance has relaxed requirements for Euroyen bond issues by Japanese residents and for unsecured bond issues by foreign borrowers.

The new rules include easier financial conditions and also call for the introduction of credit ratings. The revised requirements will apply to March issues, as was the case with the new rules for domestic unsecured bonds.

Minimum necessary net worth has been reduced from Y110bn to Y55bn under the new requirements for companies issuing straight bonds with equity purchase warrants, and from Y33bn to Y20bn for convertible bonds.

The MoF is allowing companies with credit ratings of AA or higher to issue straight and warrant bonds even if they do not meet the eased eligibility requirement.

US and UK agree on off-balance sheet rules

By Philip Coggan

THE BANK of England and the Federal Reserve yesterday published guidelines for the calculation of capital adequacy provisions for off-balance sheet instruments like interest rate swaps and forward rate agreements.

The move seems certain to be unpopular with many banks because it requires provision not only for current exposure—the present value of the instrument which would have to be replaced if the counterparty defaulted—but also for additional exposure that might result from future movements in interest and exchange rates. The two exposures will be added to create a so-called equivalent amount.

Current exposure will be calculated simply by marking to market the value of the instrument. The central banks have devised a more complex formula to calculate the potential exposure, involving a conversion factor dependent on the maturity of the contract and the estimated volatility of interest and exchange rates.

The instruments covered by the guidelines include interest rate swaps, forward rate agreements, interest rate options, cross-currency swaps, forward foreign exchange contracts and foreign exchange options. Spot foreign exchange contracts and these futures and options contracts which require the buyer to make regular margin payments are excluded.

The central banks are allowing a period of consultation on the proposals and US and UK banks are expected to campaign against them. They are likely to argue that the capital guidelines will force them to overprice their swaps and thus be undercut by Japanese and European banks.

Privately, banks admit that they already make provisions for off balance-sheet instruments not too far removed from the central banks' proposals, but the new rules appear too inflexible, they say.

The International Swap Dealers' Association (ISDA) yesterday introduced new standardised documentation for the estimated $300bn a year interest and currency swaps market. Swap documentation had been rather ad hoc during the rapid growth of the market during the past five years.

Swaps are agreements whereby two parties agree to service one another's interest payments. A company might, for example, wish to swap from a fixed to a floating interest rate because it believes that interest rates are likely to fall; its swap counterparty might believe that rates are due to rise.

The instrument is also used to exploit arbitrage possibilities in the world capital markets. Many Eurobond issues, particularly those in such currencies as Australian and New Zealand dollars, though also yen, are linked to swaps.

Fine terms for Soviet trade bank loan

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

VNESHTORGBANK, the Soviet Foreign Trade Bank, has mandated First Chicago to arrange a $200m loan with interest margins lower than on previous deals for the country.

The loan is for eight years, as with recent credits including the $300m loan arranged by Banque Nationale de Paris (BNP) last year. Repayments of the latest loan begin, however, after six years.

The interest margin will be ⅛ percentage point above London initerbank offered rates (Libor) throughout.

The BNP deal, which met some resistance in general syndication, carried a ⅛ margin for five years rising to ¼ for the remaining three. It was the first time a ⅛ spread had appeared in a large Soviet borrowing.

Banks are to be invited with front-end fees ranging up to 35 basis points for lead managers committing $15m.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 4

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TECHNOLOGY : Computing

BY ALAN CANE

Spreading the electronic message

Fourteen of the world's top companies put their weight behind on-screen mailing services

ELECTRONIC messages travel at the speed of light, but persuading computer manufacturers to work together so electronic mail can be sent easily from one make of system to another, is a slower business altogether.

Existing electronic mail systems are generally tied to one manufacturer's equipment or, like Telecom Gold, in the UK use a proprietary computer system as intermediary.

But progress is being made. Yesterday at the Hanover Fair in West Germany, 14 companies from Europe, North America and Japan took part in a demonstration designed to convince potential customers that the electronic letter has come of age.

They demonstrated that an electronic messaging standard called X.400 had moved from prototype to commercial reality.

They were proving that not only had the basic principles now been laid down for the free interchange of electronic mail, but that manufacturers were committed to producing the necessary equipment to make it possible.

By Pony Express standards, the Hanover demonstration was unspectacular. Messages typed into equipment built by one manufacturer on the stand were sent to, and received by, computers of any one of the other 13 taking part, also on the stand.

As a concession to leg-weary visitors to the show, probably the most massive technological fair in the world, the companies were divided up into groups of two or three to make the exercise more manageable.

Behind that comparatively simple demonstration, however, lay years of intensive preparation. At the French Sicob exhibition in 1985, three companies had demonstrated open messaging; by Hanover last year, the total had grown to eight. Since October last year detailed project management has been in the hands of a small UK consultancy, Level Seven, which has substanial experience in the design and implementation of international computing standards.

Mr Ian Valentine of Level Seven said this week: "Such a demonstration requires a tremendous amount of planning, much more than you might think. The message standard was a problem, but getting all these fiercely competitive companies used to the idea of working together was the chief issue."

The companies taking part in the demonstration were: British Telecom and International Computers of the UK, Bull of France, Data General, Digital Equipment, Hewlett Packard and Xerox of the US, Nixdorf, Siemens and the West German Bundespost, NTT of Japan, Olivetti of Italy, Philips of the Netherland and Sydney Development Corporation of Canada.

IBM, the world's largest computer manufacturer did not take part in the demonstration.

As a condition of taking part, each company had either to have X.400 products available already or due for launch this year.

X.400 lays down in detail the way in which a computer system has to deal with an electronic message. The International Standards Organisation (ISO) has been for some years designing and developing a general set of rules to define how one computer system should talk to another.

These rules, the Open Systems Interconnection (OSI) standard, contain seven "layers" each concerned with a specific area of the interconnection process. The lowest layer, for example, is concerned with the physical details — plugs and sockets, as it were — of how the systems are connected together. The highest layer deals with an "application" or task running on the interconnected systems.

X.400 defines the special rules for one such application, the transmission of a message which may include text, pictures and graphics.

As such it is completely equivalent to the Manufacturing Automation Protocol (MAP) and the Technical Office Protocol (TOP) which General Motors and Boeing respectively are promoting as the way forward in manufacturing technology and office systems.

The relationship between the OSI standard and these other protocols is simple and critical.

X.400, MAP and TOP are specific applications; to implement any one of them, two or more manufacturers must be able to conform to all seven layers of the OSI model.

So as Mr Valentine points out, yesterday's test was the single biggest demonstration of the X.400 and, by implication, the OSI model.

According to Mr Martyn Judd, director of Data General's European software development laboratory, pressure for the introduction of X.400 has been coming chiefly from European post, telephone and telecommunications companies.

The stumbling block, apart from rival manufacturers' reluctance to sink their proprietary approaches to communication and collaborate for their common good, has been the complexity of devising an unambiguous set of rules for communication.

As late as a week ago, one of the Hanover 14 was still unable to make a full connection; it had interpreted one of the X.400 rules in a manner which was valid but completely different from the other 13 manufacturers.

Testing is another nightmare. Mr Judd of Data General points out that to test all possible combinations of one area of the X.400 rules at five minutes a test could take one manufacturer up to two years.

Mr Valentine says the most important lesson from the Hanover demonstrations was that customers could now buy electronic messaging with confidence and without the fear that they would inevitably be "locking" themselves into one particular manufacturer.

Recent surveys have suggested that companies are nowhere near so enthusiastic about electronic mail and electronic document interchange (electronic ordering and invoicing) as had been predicted. The success of the Hanover 14 could go a long way towards changing that attitude.

IBM makes late entry to X.400 club

LESS THAN 24 hours before the Hanover demonstration, IBM announced in Paris that it had developed message handling software which conformed to the X.400 rules.

The new software allows direct connection between IBM's strategically important electronic office software DISOSS (Distributed Office Support System) and any other manufacturer with X.400 software.

It also means that IBM for the first time has a commercial product which obeys all the OSI rules.

IBM has long supported the principle of OSI rules, albeit in a low-key fashion. It has its own system for connecting computers of IBM design, called Systems Network Architecture (SNA), in which it has invested substantial amounts of time and money over more than a decade.

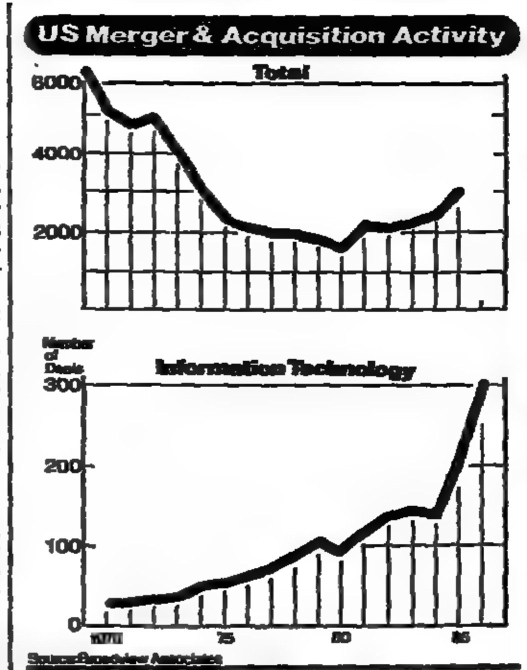
It has always argued that bridges could be built between its SNA design and OSI-based systems. It was ineligible to take part in the Hanover demonstration because, at the time, it had neither announced an X.400 product, nor committed itself to doing so in 1987.

The announcement this week changes all that.

In practice this means that a piece of text, a memorandum or business document, originated with DISOSS (which is basically software designed to facilitate the storage and movement of documents within an SNA network) can now be transmitted to electronic office software developed by, for example, ICL or DEC, and vice-versa.

Both partners have to have software obeying the X.400 rules, but the document should arrive in the recipient's system in exactly the form it left the originating terminal.

IBM said on Tuesday: "Today's announcements are consistent with IBM's long-term, continuing commitment to OSI."



Bernard Goldstein (right), partner in Broadview Associates a leading US investment bank: He describes the growing number of purchases of US information technology companies by British firms as "a reverse of the conventional flow of aggressiveness"

Acquisition-hungry Britons home in on American IT targets

MERGER and acquisiton fever is running high in the computing services industry world-wide and UK companies seem likely to be in the front line, both as buyers and sellers.

The 15 per cent stake British Aerospace has taken in the UK-based systems house, Systems Designers, is only the most visible sign of a phenomenon that has seen the number of mergers and acquisitions among information services companies in the UK rise from 31 in 1985 to 51 in 1986, a growth rate of 65 per cent.

More deals took place in the US, although the rate of growth was slower at 51 per cent; there were 203 in 1985 and 305 in 1986.

Members of the UK Computing Services Association will hear tomorrow that an increasing number of major UK firms will penetrate the US computer software market through acquisitions.

They will be given the results of a report on merger activity by Mr Bernard Goldstein, partner in Broadview Associates, a leading US investment bank which claims to orchestrate around 25 per cent of all mergers and acquisitions in the US information technology business. In 1986, it completed 52 deals worth about $1bn (£655.8m).

It is best known in the UK for managing the sale last year of the UK computing services company, Business Intelligence Services (BIS), to Nynex Corporation for £75m.

Among the UK companies which acquired US information technology firms in 1985 and 1986 were: British Telecom, Consultants (Computer & Financial), DPCE Holdings, Extel Group, Lloyd's Register, Microgen and Reuters. In 1986, 15 UK firms acquired US companies and eight US companies bought UK companies.

"It is a reverse of the conventional flow of aggressiveness," Mr Goldstein says.

He believes it is more than a temporary aberration for three reasons:

- The City has woken up to the potential of information technology firms and is prepared to provide the necessary finance for UK companies.
- The fall in the value of the dollar against the pound has reduced the cost of US acquisitions for UK firms.
- There is a basic difference in the development of the software business in the two countries.

Size and homogeneity of markets has meant that the leading US services companies have concentrated on software packages, generalised products which can be sold off the shelf to many customers, while British companies, with their heterogenous and dispersed markets, have focused on bespoke software.

Mr Goldstein believes that British companies will seek to improve their product range by buying US companies, rather than by licensing their products, as they would have done 10 years ago.

He reckons there will be no shortage of companies to buy. "In the US, it is a sign of success not failure when an entrepreneur sells his business at a profit—it is seen as his proper reward."

He does not believe that there is necessarily industrial logic in a non-information technology company buying a software house. "Every US aerospace company has a software house, but I predict that they will all probably fail."

Software houses do not fit comfortably into large company culture, he says. "That big ape company can easily roll over and crush his young bride."

Simplicity in software creation

EVERYBODY in software knows the "Mongolian hordes" technique. It implies throwing people at the problem to cut a few months off the development schedule.

Often it achieves its objective, but at a cost out of all proportion to the benefits gained. Software development, still more of an art than a science, is full of rule-of-thumb remedies like this.

Mr Lawrence Putnam, formerly a specialist in military software development, has spent the past decade seeking a method of applying simple numbers to the software creation process, in a way which can be understood by senior management.

He was in London last week describing his findings to subscribers to a new service from the Butler Cox organisation, the Productivity Enhancement Programme (PEP). The idea behind PEP is to offer practical help to systems development managers in improving productivity, still the software industry's most intransigent issue.

Mr Putnam said that data gathered from more than 1,000 software projects had enabled him to describe any development in terms of two indices, a productivity index and a manpower build-up index.

Both could be influenced by management decisions and policies, and could have a dramatic influence on the cost and quality of a project.

Pushing up the productivity index on a 30,000-line Cobol Irogram development, for example, could save close to $250,000 (£163,400).

In similar fashion, he is able to show that the Mongolian hordes approach is expensive because of an increase in the number of human communication paths, leading to ambiguities which cause more errors.

Membership of PEP is by annual subscription. Among the 22 initial members are BP International, J. Sainsbury, Midland Bank, and W. H. Smith.

Company Notices

PROVINCE DE QUEBEC
INTERNATIONAL ISSUE OF
$CAN 50.000.000
16,50% 1982-1989

We inform the bondholders that in accordance with the terms and conditions of the notes, Province de Québec has elected to redeem all of its outstanding notes on April 15, 1987 at 101%.

Interest on the said notes will cease to accrue on April 15, 1987.

The notes will be reimbursed, coupons nr 6 due on April 15, 1988 attached according to the terms and conditions of the notes.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

Kingdom of Denmark

U.S.$ 37,500,000
Floating Rate Notes due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from February 27, 1987 to August 27, 1987, the Notes will carry and interest rate of 6.5375% per annum.

The interest payable on the relevant interest payment date, August 27, 1987 against coupon n° 5 will be U.S.$ 32,869.10 for each Note of U.S.$ 1,000,000 and U.S.$ 16,434.55 for the Note of U.S.$ 500,000.

Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

GOLD FIELDS
OF SOUTH AFRICA LIMITED
(Incorporated in the Republic of South Africa)
A MEMBER OF THE GOLD FIELDS GROUP
(Registration No. 05/04181/06)

DECLARATION OF INTERIM DIVIDEND (No. 78)
UNITED KINGDOM CURRENCY EQUIVALENT

In accordance with the Standard Conditions relating to the payment of dividend No. 78 declared on 9 February 1987, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of exchange of R3.191189 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 2 March 1987, as advised by the Company's South African bankers.

The United Kingdom currency equivalent of Interim Dividend (No. 78) of 65 cents per Ordinary share is therefore 20.368584p per share.

By order of the board
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs G. M. A. Gledhill, Secretary

London Office:
31 Charles II Street,
St. James's Square,
London, SW1Y 4AG
2 March 1987.

United Kingdom Registrar:
Hill Samuel Registrars Limited
6 Greencoat Place
London, SW1P 1PL

To the Holders of

TOKYU DEPARTMENT STORE CO., LTD.
U.S.$50,000,000 7⅛ per cent. Guaranteed Bonds due 1990 with Warrants

NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4(C) of the Instrument dated July 15, 1985 under which the Warrants to subscribe for shares of common stock of Tokyu Department Store Co., Ltd. (the "Company") were issued, notice is hereby given as follows:

On February 26, 1987, the Company issued U.S.$80,000,000 3 per cent. Guaranteed Bonds due 1992 with Warrants to subscribe for shares of common stock of the Company at an initial subscription price of 856 Japanese Yen per share (at the fixed exchange rate of U.S.$1 = 153.65 Japanese Yen).

As a result of the issuance of the said Bonds with Warrants, the subscription price at which shares are issuable upon exercise of the Warrants issued in conjunction with U.S.$50,000,000 7⅛ per cent. Guaranteed Bonds due 1990 will be adjusted pursuant to Clause 3(vii) of the Instrument, from 504 Japanese Yen per share to 502.6 Japanese Yen per share, effective February 27, 1987 (Japan time).

AND

To the Holders of

TOKYU DEPARTMENT STORE CO., LTD.
U.S.$15,000,000 6 per cent. Convertible Bonds 1992

NOTICE OF ADJUSTMENT OF CONVERSION PRICE

Pursuant to Condition 5(C)(xi) of the terms and conditions of the Bonds as set forth in the First Schedule of the Trust Deed dated August 24, 1977 under which U.S.$15,000,000 6 per cent. Convertible Bonds 1992 were issued, notice is hereby given as follows:

As a result of the Company's issuance of U.S.$80,000,000 3 per cent. Guaranteed Bonds due 1992 with Warrants on February 26, 1987 as described in the notice above, the conversion price at which shares are issuable upon conversion of U.S.$15,000,000 6 per cent. Convertible Bonds 1992 will be adjusted pursuant to Condition 5(C)(iv) of the Bonds from 400.3 Japanese Yen per share to 399.2 Japanese Yen per share, effective at the close of business in Tokyo on February 26, 1987 (Japan time).

TOKYU DEPARTMENT STORE CO., LTD.

Dated: 5th March, 1987

INTERNATIONAL BOND INDEX FUND
SOCIETE D'INVESTISSEMENT A CAPITAL VARIABLE
2, boulevard Royal
R.C. Luxembour B-23856
DIVIDEND ANNOUNCEMENT

The International Bond Index Fund will pay a dividend of US$0.40 per share on March 9th 1987 to shareholders registered at close of business on February 26 1987.

Shares will be traded ex-dividend after February 26, 1987.

The Board of Directors

BANQUE NATIONALE DE PARIS

Floating Rate Note Issue of US$400m September 1983/91

The rate of interest applicable for the period beginning March 4, 1987 and set by the reference agent is 6 11/16% annually.

Clubs

Personal

Switch to US boosts Gold Fields

Consolidated Gold Fields yesterday announced an increase of 2½ times in its pre-tax profits for the half year to December 31 and raised its interim dividend by 12 per cent to 9.5p net, the first such increase since 1981.

The announcement prompted a 49p rise in the group's share price to 831p. Pre-tax profit for the second half of the year was £39.7m compared with £39.9m for the first half. Earnings per share, at 36.9p almost trebled to the highest level in the company's history. Turnover fell from £589.7m to £557m.

The company said the improved performance reflected the planned redeployment of assets in recent years, including the increased proportion of production from the US.

Mr Rudolph Agnew, chairman, said yesterday: "There is a growing recognition that we have been investing real money into the future over recent years. We have done that very successfully and I think the company has moved to a higher plateau of profitability."

He added the company would continue to prefer expansion through successful exploration and capital investment in plant than by acquisition, although all three would be considered.

OPERATING PROFIT (£m)

	Six months to 31.12.86	Six months to 31.12.85	Year to 30.6.86
Mining			
Gold Field Mining Corp	14.6	0.3	6
Newmont Mining—share	13	(1.9)	16.1
GFSA—share	20.8	16.3	38.8
Renison Goldfields—share	7	4	13.7
Goldsworthy Iron—share	5	3.5	5.8
Dividends from direct gold holdings	7.7	7.1	14.6
Construction materials	41.3	36.9	69.7

Increased production in the US and the strength of the gold price resulted in a significant increase in the income from gold. The group also gained from having most of its borrowings in dollars, so that interest costs benefited from the fall of the dollar and from the generally lower interest rates in the US.

The group also realised significant profits from the trading of its natural resources portfolio.

Gold Fields Mining Corporation in the US, operator of the Mesquite gold mine in California which started production in March 1986, contributed substantially higher earnings at £16.6m. Its Chimney Creek mine in Nevada is expected to start production as forecast, in the spring of 1988.

Profits from South Africa recovered mainly as a result of the higher average gold price, while profits from Renison Goldfields in Australia rose by 75 per cent to £7m.

ARC's construction materials business continued to show a strong performance, with profit rising by 12 per cent to £41.3m.

Mr Agnew said that he had no plans to de-merge ARC, although he would like to do so for management reasons. At present, however, its profits were set off against the group's Advance Corporation Tax liabilities giving a marginal tax rate of only 6 per cent.

The company says that most of the favourable factors behind the half-year result should continue to influence performance for the year as a whole.

● comment

For Gold Fields, tomorrow, it seems, has finally arrived or perhaps it is the good old days of 1980-81 which have returned. After several years of disappointing figures, the group's US investments have all turned in strong performances. Gold has literally been found alive and highly profitable in the Mesquite hills (commissioned in February 1986) and Newmont, free of some of its copper load, also came good in a big way. Overall the 20 per cent rise in the dollar price of gold came through to CGF's sterling profits undiluted even when it had to pass through a Rand-based intermediary. Helping the tripling of earnings is the mound of tax losses in the US and a pile of unrelieved ACT in the UK. Hence the tax rate is a gentle 26 per cent. There have also obviously been some good profits taken on the portfolio of South African mining stocks, although we may have to wait for the annual report to find out just what has been sold. The policy of not injecting fresh funds into that country is clear; self-financing from Rand cash flow seems to be the ticket whilst large amounts are ploughed into the US to give CGF a better balance. For the year a record £200m suddenly seems credible, which puts the shares at 831p, up 49p, on a prospective p/e of 12; perhaps surely fully enough justified on trading alone to quash thoughts of a lurking predator.

Saatchi ready for listing in Paris

By Clay Harris

Saatchi & Saatchi is set to become one of the few British companies with a full listing on the Paris bourse.

The world's largest advertising agency yesterday announced the placing of 9.74m new shares, equal to 4.4 per cent of its authorised share capital, with continental European investors.

The issue will raise a net £61.3m, which Saatchi said would be used to continue its development in international business services.

Some 95 per cent of the new shares are believed to have been placed with French institutions through Paribas, the French investment bank. Paribas also handled the distribution of the remaining shares in other European markets. Saatchi was advised by County Bank.

The French placing is a preliminary step towards a full bourse listing. This is expected to be announced next week, with trading due to begin by the end of the month.

By placing the shares before receiving a listing, Saatchi would increase its appeal to certain French institutions which are only allowed to buy foreign shares created in France.

The new shares were issued at 654.4p, a 1.5 per cent discount to the closing price on Tuesday, after adjustment for a one-for-three scrip issue approved by shareholders that day. The annual meeting also gave Saatchi the go-ahead to issue the shares which were placed yesterday. This approval is required under Stock Exchange rules for issues in which existing shareholders have no pre-emption rights.

The placing was Saatchi's first money-raising exercise since a £400m seven-for-eight rights issue last April which met a sour reception from institutional investors and sent the share price into decline. Saatchi shares have only recently begun to approach the 940p level just before the rights issue.

Yesterday's issue was therefore intended to demonstrate Saatchi's international appeal without making another call on existing shareholders. The thin discount proved Saatchi's point, and the shares added 3p to 893p.

A Paris listing would be Saatchi's third, after London and a Nasdaq quotation in the US. Plans to seek a Tokyo listing and to move to the New York Stock Exchange remain under examination, the company said yesterday.

Other UK companies with full Paris listings are BAT, Bowater, BP, Courtaulds, Glaxo, Marks & Spencer and Midland Bank.

BETTER YEAR FOR COMPOSITE INSURERS

CU recovers to £119m but US still underperforming

BY NICK BUNKER, INSURANCE CORRESPONDENT

Commercial Union Assurance, the UK's second biggest composite insurer, made pre-tax profits of £119.1m in 1986, its best result for seven years.

This compared with losses of £58.8m in 1985 and £72.8m in 1984, the year that marked the bottom of the US insurance cycle. The US has been the source of CU's toughest problems over the last decade.

Annual figures announced by CU yesterday showed that in spite of a big recovery its US operations were still significantly underperforming by industry standards.

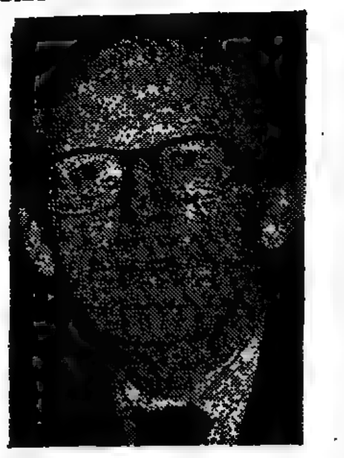
CU's worldwide after-tax profits for the year ending December 31 were £82.7m (£90m). After realised investment gains of £77.2m, the profit attributable to shareholders was £159.9m.

Earnings per share were 38.77p. CU said it was recommending a final dividend of 7.8p per share, making a total dividend up 10 per cent at 13p.

CU will give shareholders the choice of receiving all or part of the final dividend in fully-paid ordinary shares, rather than cash.

Worldwide, non-life premium income increased 17 per cent to £2.04bn, with an underwriting loss of £220.4m (£384.7m). Investment income was £243.6m (£236.7m), with life profits of £88.2m (£80.3m).

CU's recovery was driven by a big reduction in US underwriting losses to £131m (£290.4m).



"Sandy" Marshall, chairman of Commercial Union

Its US business (27 per cent of global non-life premium income) benefited from several years of rate increases, low weather catastrophe losses, and tight expenses control, CU said.

Further progress was hampered, however, by sizeable growth in loss-making "involuntary" business written in the US.

CU said that it was seeing a slow-down "quarter by quarter" in rate increases in US commercial lines. But it saw "no resurgence of rate cutting."

In the US, however, its operating ratio — the standard measure of an underwriters' efficienecy — was 111, several percentage points worse than the US property/casualty industry average of about 106-108.

CU said that its 1986 statutory underwriting results in the US benefited by a total of $90m from reinsurance arrangements with the parent company in London. Without this, its US operating ratio would have been several points higher, London stockbrokers' analysts said.

In the UK (37 per cent of CU's global non-life premiums), pre-tax operating profit was £97.5m (£71.5m), with a year-end operating ratio of 102.7 (down from 107.3 in 1985).

CU said it had targeted for growth last year its London market marine and aviation business, commercial fire, travel insurance and its motor insurance policies for married couples.

UK losses arising from bad weather this year would be "about the same" as in 1985, after allowing for recoveries from reinsurers, it added.

In the Netherlands, pre-tax operating profit was £50.1m (£38.8m), with a 12 per cent increase in life profits offsetting a worsening in the underwriting result due to "intense competition," CU said.

In Canada, operating profits before tax were £6.2m (£5.6m). The pre-tax result for the rest of the world fell by £1m to £29.1m.

See Lex

Scandinavian Bank heavily oversubscribed

The offer for sale of shares in Scandinavian Bank, the UK-registered consortium bank, closed yesterday substantially oversubscribed.

Although counting has yet to be completed, the indications last night were that it could be more than 10 times subscribed, with around 150,000 individual applications.

The basis of allocation will be announced not later than Friday.

The Bank is offering 27.5m of its unique multi-currency shares at a price of 210p a share, at which price the bank is valued at £167m.

Letters of acceptance will be posted to successful applicants on March 10 and dealings are expected to start on March 11.

Kenning helps Tozer to £22m

Tozer Kemsley and Millbourn, Mr Ron Brierley's holding company, and the UK's leading motor distributor, boosted pre-tax profit from £4.4m to £22m in the year to December 31, 1986, the first full-year results since the New Zealand entrepreneur took control of the company in July 1985. Group turnover soared by more than 70 per cent from £420m to £717m.

The directors said that the inclusion of figures for 7½ months from the Kenning Motor Group, which Tozer acquired in May 1986, had been primarily responsible for the increased turnover. They said that the subsidiary had contributed £6.3m to the profit figure.

They added that an extraordinary profit of £3.2m represented the £5.37m discount realised on February 28, 1986 when the group had made the final repayment of its former borrowings, less the cost of closure and disposal of some of Tozer's former businesses.

Results for Kenning in the year to September 30 1985 had shown ap rofit of £5.75m, more than 35 per cent of which had been generated in Zimbabwe. However, the directors stressed that in 1986 they had only taken to profit the results of operations in Zimbabwe to the extent that profit had been repatriated to the UK.

They reported that the Kenning Tyres Division had produced good results and substantial improvements in Kenning Car Rental had been achieved.

The directors reported that Tozer's other automotive activities, which include Wadham Stringer and Daihatsu (UK), had continued strongly, producing excellent results. Tozer's North American property subsidiaries had continued to perform to plan.

Extraordinary items amounted to a credit of £3.2m (£2.2m debit). After tax charges of £8m up from £2m last time—earnings worked through at 9.91p (2.8p) per basic share and 7.61p fully diluted.

The directors proposed a final dividend of 0.5p—the first payment since 1981 when Tozer paid a total of 0.6p.

● comment

Ron Brierley has every reason to be pleased with the results that his operating management have produced from the expanded TKM. For many years the old TKM's interest bill consumed more than half its trading profits but now long-term loans have been repaid early and even with the introduction of some Kenning debt, the total charge has fallen. The year and balance sheet should see net debt down to two-thirds of shareholder funds. On the trading front, a shift towards used-car sales, now about 55 per cent of the total, has helped boost both gross and operating margins. TKM intends to transform Kennings' tyre operation from a distributor into a service centre under the Kenfit label. However, the company has a £15m warchest from its retained profits suggesting that it plans to make a foray and almost certainly outside of the motor sector. This has been considerably rerated since Mr Brierley appeared on the scene and his interest has certainly moved elsewhere now. Something down to earth, service related and not overly expensive would appear to be the order of the day. This year £28m should be possible, which puts the shares at 159p on a high-expectation fully-diluted prospective multiple of 17.

Medminster up 29% despite static revenue

BUOYANT TRADING across the group's activities lifted taxable profits of Medminster by 29 per cent in the six months to December 1986.

Although group turnover was virtually unchanged at £6.32m, pre-tax profits, after reduced finance charges of £17,000 (£47,000), came out at £383,000 against £296,000 for the comparable period.

The tax charge increased to £130,000 (£104,000), leaving stated earnings per 10p share at 10.12p (9.6p).

The interim dividend is raised to 2.7p (2.15p).

Mr John Delaney, chairman, said that although revenue from the shipping and freight side had fallen, this did not necessarily reflect lower profits. Indeed, the trend would be accentuated in the future as the expansion of the EEC would result in a reduction in customs duty, he stated.

Reiterating his statement in the annual report, Mr Delaney said that the hire of furniture to exhibitions continued to obtain sizeable market share.

Better productivity aids Tavener

Better productivity was the main reason behind a profit of £218,000 achieved by Tavener Rutledge, sugar confectionery maker, in 1986. That stemmed from the considerable investment ploughed into the Liverpool factory over the past two years.

The shares responded with a 13p rise to 96p.

The profit compared with a loss of £28,000, exacerbated by an exceptional charge of £20,000. The company had already returned to profit at the six-month stage of 1986.

Shareholders enjoy their first dividend since 1977, the payment being 1p net.

Being stronger financially (following its tie-up with A. G. Barr) the company felt more able to provide the sort of support required to strengthen its position in the market.

In the year turnover came to £8.63m (£8.23m) and the operating profit to £355,000 (£158,000), while interest and financing charges were cut to £137,000 (£186,000).

Home sales through traditional wholesale outlets were maintained by a smaller sales force, and sales volume through the more buoyant supermarket sector was increased. Exports were held and represented 29 per cent of total sales.

Last October the company and Barr (soft drinks specialist) announced plans to work together to develop a new range of products to their mutual benefit.

Barr subscribed for 865,000 shares at 53p each, which gave it just under 30 per cent of the enlarged equity. It also took a £390,000 10½ per cent convertible unsecured loan note 1996; on conversion that would push up its holding to 40 per cent, assuming no further issue of shares. The Panel said Barr would not be obliged to make a general offer.

HAMPTON TRUST has contracted to purchase freehold properties at Colchester and Portsmouth for a total of £1.76m financed from existing resources. Following the acquisitions the group's net annual rental income from the investment portfolio will be £6.2m per annum, expected to rise over the next five years to £8.7m per annum.

General Accident meets market expectations with record £123m

General Accident, the Perth-based composite insurer, met the stock market's expectations yesterday with a record pre-tax profit of £123.2m (£26.5m) for 1986, writes Nick Bunker.

Its recovery last year reflected big falls in underwriting losses in the US and Canada, where GA is heavily oriented towards personal lines, especially automobile insurance.

GA suffered "seriously adverse experience" however in UK motor insurance, where it is the leading company with a market share estimated at more than 10 per cent.

The UK motor account had given "cause for concern," but was likely to improve in 1987 following big rate increases, said Mr Buchan Marshall, GA's chief general manager.

Mr Marshall said he was "less than content" with GA's performance for the year as a whole, in spite of a worldwide fourth quarter pre-tax profit of £35.4m, the best ever.

Profits attributable to shareholders were £110.8m, against £34.5m in 1985. GA nearly trebled earnings per share, at 60.5p. It has recommended a final dividend of 18p per share, making a total for the year of 28p, up 27 per cent.

Net asset value per share rose from 940p to 1091p. GA's shares closed down 21p last night at 1016p.

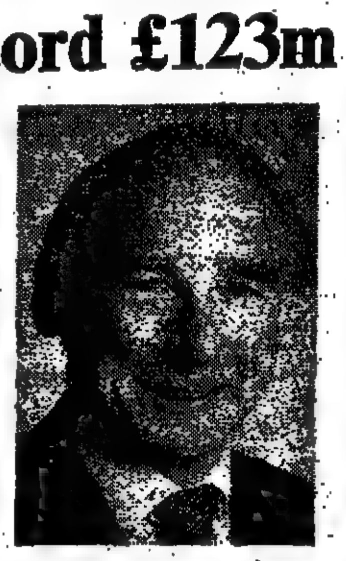
Worldwide, general premium income rose to £2.18bn, with an underlying growth rate of 23.4 per cent. Investment income was £397.8m, showing an underlying increase of 12.3 per cent. Profits from life assurance and related business was £10.4m (£8.8m).

GA's underwriting deficit worldwide fell by nearly a quarter from £237m to £180.9m. The fall included a £15m cut in losses in the UK, a £29.3m fall in losses in the US, and a £23.7m reduction in Canada.

The VSaccounts for about 40 per cent of GA's non-life premiums, the UK for about a third and Canada about 12 per cent.

On the UK motor account, sharply higher claims frequency contributed to fourth quarter losses up nearly 75 per cent at £17.3m, making a deficit for the year of £43.6m (£28.1m).

Despite severe weather losses in the first quarter, the Homeowners' account produced an underwriting deficit down from £11.1m to £8.6m.



Gordon Simpson, chairman of General Accident

The commercial property account "continued to benefit from determined rating action."

In the US, a strong recovery in commercial lines and improvements in other classes including personal auto left GA with an operating ratio for the year of 107.75, about average for US property/casualty insurers.

Goldsmiths disposes of insurance division

Goldsmiths Group, which is 92.6 per cent-owned by Oriflame SA, has sold its insurance consultancy division to Masterquote, a subsidiary of Swinton Insurance Brokers.

The division being sold was carried on through Anthony Gover and Anthony Gover (North East) operating through 43 insurance offices in the south east and north east of England. These had been managed by Swinton since early 1986.

Consideration is £677,750, and in addition Swinton will pay to the two companies £550,000 in respect of a rebate of the franchise fee, and £200,000 to Goldsmith's for one year's rental of computers.

The consideration will be further adjusted to take into account net assets at April 30, 1987 and in valuing the net assets, the properties will be taken to have a value of £1.44m.

At end-February 1986 net liabilities attributable to the two companies amounted to £696,829.

The disposal is in line with Goldsmiths' objective of concentrating on its jewellery retailing and hotels businesses.

Demerger presents case to Evered

Demerger Two, the newly-formed company whose £90m bid for London and Northern closes next Monday, yesterday presented its case to Evered, the acquisitive engineering group which snapped up a 14.99 per cent stake in L and N last Monday.

After the meeting, Mr Peter Earl, a director of Ifincorp Earl which is advising Demerger, said, "We spoke to them as we would any shareholder. We will have to wait and see what their intentions are—they gave us no indication."

No specific time or date has yet been fixed for a meeting between Evered and London and Northern itself.

Panfida claims 93% of IIS

The Sydney-based Panfida group announced yesterday that its concert party offer for "Investing in Success" Equities had closed with acceptances totalling 58 per cent of IIS's shares. Taken together with the shares purchased by the concert party, Panfida claims ownership plus acceptances totalling 93.4 per cent of IIS's issued capital.

Nichols (Vimto) recovers to 22% rise

DESPITE another bad summer in the UK, J. N. Nichols (Vimto), maker of fruit compounds and cordials, lifted its pre-tax profit by 22 per cent, from £4.85m to £5.92m, for 1986.

The directors said that demand for Vimto in the Middle East was spread more evenly through the year, and helped to produce much better results in the second half than in previous years. At the midway stage, profits had fallen to £2.81m (£3.17m).

Turnover in the year advanced by 28 per cent to £28.74m (£22.48m) and the operating profit rose 20 per cent to £4.46m (£3.7m). Profit on other activities moved up to £1.46m (£1.14m).

With earnings rising from 16.2p to 20.6p, the final dividend is 4.1p for a net total of 7p (6p).

The directors' confidence in the two new acquisitions—Independent Vending Supplies and Cabana (Holdings)—was well justified, they said, for both produced excellent results.

Prospects for the current year were good, the directors claimed, especially as the company was improving its product range. With continued useful contributions from the new companies and a healthy export demand, they saw no reason to doubt continuing steady progress.

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Midland rises 24% to £434m

BY DAVID LASCELLES, BANKING EDITOR

Midland Bank continued its recovery from the Crocker National Bank disaster last year with a 24 per cent increase in pre-tax profits to £434m, up from £351m. The total dividend for 1986 is 27p, up from 25.5p.

Sir Donald Barron, chairman, said that the result reflected improved performances across the group as a whole, and that the restructuring of Midland and the sale of Crocker were beginning to bear fruit. Midland sold Crocker last May after the California bank had suffered severe losses in 1983 and 1984.

Sir Donald also disclosed that Midland had added £160m to its reserves against possible losses on loans to Third World countries seeking to reschedule their debt repayments. This consisted of £60m in new provisions, and a transfer from the general to the specific provision of £100m. Midland has £4.7bn in loans out to these countries, but Sir Donald refused to say how large the total provisions were after the latest additions.

The bulk of Midland's profits came from its UK banking business which earned £305m before tax, up from £246m in 1985. Its investment banking business, which includes Midland Montagu, the new division set up for the Big Bang, earned £65m, against £51m last time. Midland refused to give any further details about this division, other than to say it was operating satisfactorily.

International banking earned £54m, up from £30m. Midland incurred a loss of £44m on Crocker/Bracton, a special "work out" unit set up last year to administer $300m of Crocker's bad loans.

Among Midland's subsidiaries, Forward Trust, the finance house, earned £41m (£40m). Thomas Cook's earnings fell to £13m from £19m because of high development costs.

Sir Donald said that Midland's overall results meant "the gap with our peers is still there. But it's closing and we intend that that should continue. We have put the past behind us."

Sir Kit McMahon, the bank's new chief executive, emphasised that Midland's returns are now improving. The pre-tax return on equity was 20.8 per cent, up from only 5.9 per cent in 1984. Post-tax, last year's return was 12.5 per cent.

The major source of growth in the balance sheet was mortgages which increased by 96 per cent. Corporate lending was up only 8 per cent because of weak loan demand. Midland's revenue from fees and commissions was up 35 per cent, and there was a profit of £22m on gilts sales.

The tax charge was 40 per cent, down from 50 per cent. The improved performance enabled Midland to increase its retained earnings to £179m, up from £63m.

Sir Kit said that costs continued to be a major concern. The bank's ratio of costs to income was 72 per cent. Although this was a reduction from 74.5 per cent in 1985, Sir Kit said Midland was still higher than its peers in this respect, and aimed to bring the ratio down further.

● Clydesdale Bank, Midland's Glasgow-based subsidiary, reported a slight downturn in profits in 1986.

After including a profit of £196,000 (£202,000) from associate Scottish Agricultural Securities, and allowing for interest on the subordinated loan capital, the pre-tax figure came out at £27.95m against £29.5m in 1985.

The directors viewed the results as satisfactory given the continuing economic difficulty in Scotland. Although lower average base rates prevailed during the period, increased volumes produced an improvement in net interest income despite continued pressure on margins. Commission income increased by around 12½ per cent.

See Lex

Bovis buy boosts plan to expand in Far East

By Joan Gray, Construction Correspondent

P & O subsidiary Bovis International has bought the Hong Kong-based construction management company Gerry Long Associates for an undisclosed sum as part of the company's expansion in the Far East. The new company will be called Bovis Far East.

The move will build on Bovis' earlier acquisition of a 50 per cent stake in Lehrer McGovern, the US construction management company which restored the Statue of Liberty, and with which Bovis is now negotiating to build the £150m second phase of the London Bridge City office development.

"The purchase of Gerry Long Associates is logical after buying our stake in Lehrer McGovern," said Mr Frank Lampl, chairman of Bovis. "Major US investors in China already work with us through Lehrer McGovern because they are looking for a construction management company they know and GLA will give us the additional personal contacts and local expertise they need in China."

Bovis has so far been under-represented in the Far Eastern and Chinese construction market which is currently estimated to be worth $300bn a year compared with $370bn a year in the US and $300bn in Europe.

Bovis Far East's first major contract in China will be the $28m 380-room Beijing Asia Hotel.

Polypipe chairman sells 4m shares

Mr Kevin McDonald, the chairman of Polypipe, maker of plastic plumbing systems, has disposed of 4m ordinary shares (13.935 per cent) at a price of 230.5p per share. The shares were placed with institutional clients of the company's stockbrokers, Panmure Gordon & Co.

Following this disposal, Mr McDonald now holds 10.56m ordinary shares (36.787 per cent) and he remains substantially the largest shareholder.

CES turns down merger proposal from Ratners

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

Combined English Stores said yesterday it had turned down merger proposals from Ratners, Britain's leading jewellery retailer.

CES, which runs 358 jewellery shops in a 960-strong retail network which includes Salisburys luggage outlets, chemists and fashion stores, said it wished to remain independent and to continue to grow as a multiple specialist retailer.

A formal statement, which said Ratners had approached CES to discuss a merger, added that the group would seek growth "without undue dependence on one particular . . . market."

Mr Gerald Ratner, chief executive, said later that he was no longer interested in a merger. "It's dead and buried. We will bury them in the High Street instead."

He also claimed that the first approaches had come from CES, which had suggested Ratners should take control of its jewellery business in return for a stake in Ratners.

"We would have done all the work and they would have taken all the profit,' he said.

Ratners, which recently took over the H. Samuel chain, has about 600 shops. It is renowned as one of the most aggressive retailers in the High Street.

Mr Ratner said CES could not compete in the jewellery business against his company's merchandising and pricing policies.

Should any other company take CES over, it would be unlikely to want to keep the jewellery outlets. "So they could well end up in our hands."

Ratners aims to extend its chain to 1,000 shops. A CES deal could have achieved this in one move.

Even if CES's Collingwood, J. Weir and Zales shops do not fall under Ratners' control, Mr Ratner said "we'll wait a couple of year and do it ourselves."

Hawley lifts profits by 93%

BY CLAY HARRIS

Hawley Group, the services company chaired by Mr Michael Ashcroft, increased its pre-tax profits by 93 per cent to $83.3m last year on turnover 65 per cent higher at $841.8m.

Although it has been registered in Bermuda since 1985, this is the first year that Hawley has reported its results solely in US dollars. At yesterday's exchange, 1986 pre-tax profits would be £53.3m, 61 per cent higher than the £33m Hawley reported for 1985 based on average rates during that year.

Of Hawley's major divisions, profits from cleaning and building services improved to $18.54m ($13.62m) on sales of $330.26m ($196.28m), to $4.43m ($27,000 loss) in hospital, housekeeping and food services on turnover of $151.56m ($21.27m) and to $12.75m ($8.85m) on turnover of $113.73m ($91.91m) in security and communication services.

Associated companies contributed earnings of $23.39m ($14.05m).

North America increased its share of earnings and sales to 62 per cent and 53 per cent respectively with the UK contributing 34 per cent and 38 per cent.

Hawley did not specify the contribution made by Pritchard Services Group which was included in the second half results after a £150m takeover. Pritchard, a cleaning and services company overlapping considerably with Hawley's own activities, ceased to exist as a separate entity virtually from the moment of acquisition, Mr Ashcroft said yesterday.

Pritchard's impact was obvious in Australasia, however, where its lower-margin operations meant that profit advanced by just over one-third despite nearly a quadrupling of turnover. Analysts also saw signs of Pritchard's lower margins in other areas.

Hawley lumped its discontinued activities, principally the household improvements operations which it is selling to its 49 per cent-owned Canadian associate Henlys, together with other operations and central costs. Mr Ashcroft declined to give a more precise breakdown.

The profit on the sale to Henlys was the lion's share of a $40.9m extraordinary credit ($12.06m debit).

Mr Ashcroft said that negotiations were at an advanced stage for the repayment by Henlys of a substantial proportion of the $300m due to Hawley.

Hawley plans a one-for-53 scrip dividend, worth 4.3 cents at yesterday's 145p London share price (down 3p) and $1.56 rate for sterling. Shareholders will have to wait for three additional mnoths if they elect the 4.1 cents (2.85 cents) cash alternative for the final payout, which would make a total of 6.2 cents (4.6 cents).

The company will be listed in Montreal from the end of this month and is seeking quotations in Sydney and Tokyo before the end of the year.

SAVE & PROSPER Gold Fund: Total income for year to January 31 1987 £105,139 (£143,835). Net deficit £30,226 (revenue £21,652). Carried forward £97,957 (£128,183).

McINERNEY PROPERTIES is planning a £15m luxury holiday home development on a site it has acquired at Quinta do Lago on the Algarve in Portugal. The development is expected to consist of 135 dwellings, together with ancillary facilities. Construction and marketing is anticipated to commence in August.

Hanson mops up Kaiser

By Nikki Tait

KAISER CEMENT, the California-based company for which Hanson Trust launched a $208m tender offer last November, is to become a wholly owned subsidiary of the British group. This follows approval from a special meeting of Kaiser's stockholders.

The Hanson tender offer closed at the end of December — by which time it had acquired around 76 per cent of Kaiser's stock. Under US tender offer procedures, it was then able to mop up the remainder, including the 22 per cent stake held by Los Angeles investor Mr David Murdock.

The total cost of the offer is put at $250m — the additional $50m accounted for by purchases of the convertible preference stock and convertible debentures.

Yesterday, Mr Martin Taylor, a director of Hanson, said the group would now carry out a thorough examination of the Kaiser business and would be "looking closely" at the less profitable elements. Analysts have suggested peripheral parts of the group—such as the 43 per cent interests in P. T. Semen Cibinong, which operates a cement plant in Indonesia—might be disposed of, leaving Hanson with the core Californian business.

MMC gives its approval for £190m THF deal with Imperial

THE Monopolies and Mergers Commission yesterday approved the £190m acquisition of Imperial Group's hotels and roadside restaurants by Trusthouse Forte, the catering and hotels group.

The portfolio of businesses, which includes Anchor Hotels, Imperial Inns, the Welcome Break motorway service areas and Happy Eater roadside restaurants, was sold to Trusthouse Forte last August by Hanson Trust as part of its break-up of Imperial which it took over in April.

The Commission, in its report on the THF acquisitions, said that in each of the markets affected by the merging of the businesses they could be expected not to operate against the public interest.

The report concentrated on the competition implications of the acquisition by THF of Imperial's Welcome Break motorway service area operations and the Happy Eater trunk road restaurants.

Prior to the acquisition, THF operated 11 motorway service areas. With the acquisition of Welcome Break it now has 15 of the existing 47 motorway service areas. Granada, the next largest operator, has 14 sites.

In the area of non-motorway eating THF has some 280 purpose-built Little Chef roadside restaurants compared with the 74 Happy Eater restaurants.

On the implications for motorway users of the merging of the two service area operators the report said: "We doubt whether any operator could afford to raise prices, relax standards or otherwise act contrary to the public without soon suffering reduced custom."

The Commission admitted to having difficulties in defining the size of the roadside catering market and received widely different estimates from witnesses of the Little Chef and Happy Eater share of it.

"These range," it said, "from THF's own estimate of 16 per cent to 90 per cent by another major roadside caterer."

However, the report concluded: "We are confident in concluding that motorists have a wide choice of catering establishments along trunk roads and have a wide experience of using them; and in particular that those who use Little Chef and Happy Eater also use other facilities widely."

While the Commission recognised that for the time being at least the potential for monopolistic behaviour had increased it said there were powerful constraints on such behaviour, including motorists' stated willingness to stop at a pub or other type of outlet.

The fact that there was a virtual absence of close imitators of either Little Chef or Happy Eater was noted in the report. The Commission said that it accepted the testaments of two witnesses that roadside catering was a highly sophisticated branch of the catering business which demanded special skills.

● Mrs Jane Pickard, a founder of the Happy Eater chain, which was sold to Imperial in 1980, and Mr Allen Jones, former managing director of Happy Eater, announced yesterday that they were setting up a new chain of roadside restaurants, to be called A.J.'s Family Restaurants.

Trusthouse Forte and enterprises belonging to Hanson Trust: A report on the merger situation. HMSO Cm 96 £8.00.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Barker & Dobson	1	—	nil	1	nil
British Kidney	6.25	—	4	6.25	4
Commercial Union	7.8	May 15	6.95	13	11.8
Consol Gold Fields int.	9.5	—	8.5	—	24.5
General Accident†	18	—	14	28	22
John Haggas int.	1	April 24	—	—	—
High-Point†‡ int.	1.75	April 15	1.75	—	1.75
Instem‡	1.5	July 2	1.5	2.5	2.25
Lawtex int.	1	April 3	1	—	2
Macro 4 int.	1.13	May 11	—	—	0.75
Medminster† int.	2.7	April 9	2.15	—	6.25
Midland Bank 2nd int.	15.5	April 3	14.5	27	25.5
Nichols (Vimto)	4.1	—	3.25	7†	6
St Modwen	0.2	April 16	—	0.21	—
Taverner Rutledge	1	—	nil	1	nil
Tozer K & M	0.5	—	nil	0.5	nil

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. ¶ For 14 months.

Sale cuts back Lawtex profits

THE SALE of its workwear division was blamed for a fall in pre-tax profits at Lawtex, Oldham-based clothing and umbrella manufacturer. However, the sale strengthened the balance sheet with shareholders' funds increasing in the period from £3.25m to £4m.

On turnover slightly down at £10.64m (£10.73m) for the six months to December 27 1986, pre-tax profits were £134,390 against £246,600. Earnings per share were 3p (5.6p) but the interim dividend has been maintained at 1p.

Directors said uncertainty in the three months before the sale affected the trading performance of the workwear division and thus the whole group. However, they added that for the continuing divisions sales increased by 12 per cent and profits were 22 per cent higher.

Heine raises Cambrian stake

BY NIKKI TAIT

Heine Securities, the New York investment business which manages a number of mutual funds, has increased its stake in Cambrian and General Securities from 5.48 per cent to 8.97 per cent, or 1.595m shares. It also now holds 2.09 per cent of Cambrian and General's capital shares.

Cambrian and General is the UK investment trust set up by Mr Ivan Boesky, the disgraced New York arbitrageur. Last month, Mr David Hobson, Cambrian's new chairman, revealed that the trust has written off its entire $20m investment in Boesky's main investment partnership.

Cambrian and its dealing subsidiary Farnsworth & Hastings are also facing legal action from parties alleging damages caused by Mr Boesky's actions. Shares in the company are officially suspended at 130p.

Heine said yesterday that it had bought because "at the price it was an interesting opportunity," but added that it had no plans to acquire any further shares at this stage.

Its initial holding, purchased in December, came from 1928 Investment Trust, which was the subject of a bid and whose portfolio was subsequently liquidated. Yesterday, Heine refused to comment on the latest source of shares but S. G. Warburg, which is advising Cambrian and General, said it believed a number of sellers may have been involved.

Cambrian and General said last month that it was continuing to discuss the possibility of recommencing dealings in its shares with the Stock Exchange. Last night, Warburg added that it was concerned about the possibility of a grey market developing and the matter of bringing the shares back from suspension was being kept under review.

Public Works Loan Board rates

Effective March 4

Years	Quota loans repaid by EIP†	Quota loans A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* A‡	Non-quota loans A* repaid at maturity§
1	—	—	10	—	—	10¼
Over 1 up to 2	9¾	9¾	9¾	10¼	10¼	10¼
Over 2 up to 3	9¾	9¾	9¾	10¼	10¼	10¼
Over 3 up to 4	9¾	9¾	9¾	10¼	10¼	10¼
Over 4 up to 5	9¾	9¾	9¾	10¼	10¼	10¼
Over 5 up to 6	9¾	9¾	9¾	10¼	10¼	10¼
Over 6 up to 7	9¾	9¾	9¾	10¼	10¼	10¼
Over 7 up to 8	9¾	9¾	9¾	10¼	10¼	10¼
Over 8 up to 9	9¾	9¾	9¾	10¼	10¼	10¼
Over 9 up to 10	9¾	9¾	9¾	10¼	10¼	10¼
Over 10 up to 15	9¾	9¾	9¾	10¼	10¼	10¼
Over 15 up to 25	9¾	9¾	9¾	10¼	10¼	10¼
Over 25	9¾	9¾	9¾	10¼	10¼	10¼

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

General Accident

RESULTS FOR 1986

WORLDWIDE RESULTS FOR YEAR ENDED 31st DECEMBER 1986

The audited accounts for the year to 31st December 1986 will be published on 13th April 1987 but preliminary and unaudited figures for 1986, with actual figures for 1985, are as follows:—

	1986 £m	1985 £m
Premium income		
General Business	2,184.8	1,691.3
Long Term Business	199.5	205.0
	2,384.3	1,896.3
Investment Income (see Note)	297.8	256.7
Underwriting—General Business Result	(180.9)	(237.0)
Long Term Business Profits	10.4	8.8
	127.3	28.5
Less Interest on Loans	2.2	2.0
UK Employee Profit Sharing Scheme	1.9	—
Profit before Taxation	123.2	26.5
Taxation—UK and Overseas	10.1	(10.0)
Profit after Taxation	113.1	36.5
Minority Interests and Preference Dividends	2.3	2.0
Profit for the year available to Ordinary Shareholders	110.8	34.5
Earnings per Share	60.5p	20.5p
Dividend per Share	28.0p	22.0p
Net Assets per Share	1,091p	940p
Principal exchange rates used in translating overseas results		
U.S.A.	$1.48	$1.45
Canada	$2.06	$2.02

Notes

1. Investment income excludes £11.7m (1985 £11.5m) representing amortisation of U.S. deep discount bonds which under the U.S.A. accounting conventions would be credited to earnings.
2. *The 1986 figures include the results of Pilot Insurance of Canada for the first time.*

Analysis by Territory of General Business Premium Income and Underwriting Result
(before internal reinsurance)

	1986 Premium Income £m	1986 Underwriting Result £m	1985 Premium Income £m	1985 Underwriting Result £m
UK	720.0	(64.9)	585.4	(79.6)
U.S.A.	812.6	(67.3)	677.4	(96.6)
EEC other than UK	152.3	(23.6)	109.2	(15.5)
Canada	261.4	(8.4)	144.7	(32.1)
Australia	37.7	(6.5)	34.8	(5.3)
Others, including London Market Business	200.8	(10.2)	139.8	(7.9)
	2,184.8	(180.9)	1,691.3	(237.0)

Life Department

There was an increased contribution to profit and loss account from our long term funds, which also recorded UK new business production as follows:

	1986 £m	1985 £m
New Life and Annuity Premiums		
Annual	29.2	25.7
Single	30.5	48.2

Final Dividend for the year ended 31st December 1986

The Directors have decided to recommend to the Shareholders at the Annual General Meeting to be held on 6th May 1987, a final dividend on the Ordinary Shares of 18.0p per share (1985 14.0p) payable on or after 1st July 1987, to Shareholders on the register on 1st June 1987. The total dividend for the year of 28.0p per share (1985 22.0p per share) will cost £51.6m (1985 £37.0m).

Net Assets

The net asset value of the group increased during the year by £431m to £2,011m.

General Accident Fire & Life Assurance Corporation plc.

World Headquarters: Pitheavlis, Perth, Scotland PH2 0NH.

UK COMPANY NEWS

Barker & Dobson tops £4m on Budgen's growth

THE REVITALISED Barker & Dobson Group, which takes in the Budgen supermarket chain, turned in a pre-tax profit of £4.15m for the year ended December 27 1986. There is to be a dividend of 1p net.

This was in line with targets, and compared with losses of £7.5m previous. Further rationalisation was planned in the confectionery business and reorganisation costs of £561,000 (£886,000) have been charged below the line.

Details of the rationalisation were under negotiation and proposals were expected to be announced at the end of the month.

Budgen had started the new year well and, because of the convenient location of its stores, actually benefited from the bad weather, the directors reported.

The three new stores opened in the autumn continued to improve their trading performance as they became established. For this year three further openings were scheduled, with more sites under negotiation.

After a lacklustre January the confectionery division was back on track with plans. Recent weeks had shown good year-on-year sales increases.

Priority remained to use existing resources more effectively, and the directors were confident that over the longer term that would strengthen competitivenes and help sustain margin improvement.

Barker acquired Budgen from Booker McConnell in July 1986 for £80m cash, funded by a near £70m rights issue and a bank loan.

Mr John Fletcher, chairman and chief executive of Barker & Dobson

Turnover in 1986 rose to £127m (£58m) and the trading profit was £4.56m (loss £6.71m). Confectionery accounted for £1.4m (£22,000) and food retailing £3.78m, whereas last time the discontinued activities incurred a loss of £6m mainly through the Lewis Meeson retail newspaper chain.

Central costs came to £638,000 (£695,000), related companies accounted for £80,000 (£46,00) and net interest paid fell to £484,000 (£835,000).

Tax took £437,000 (credit £14,000), to leave earnings at 7.2p per share (loss 31.7p). There was another extraordinary item—a £9,000 profit on sale of discontinued business (£2.68m).

The rights issue to finance the acquisiton of Budgen was taken up only in respect of 62 per cent of the offer.

This also applied to a plan the company devised last October to buy-out the small shareholdings, offering to pay the dealing costs. Only about 12 per cent accepted. The idea was to cut the 32,000 strong register because of the cost of servicing it. The 1p shares, however were reconstructed into 10p.

● comment

A shareholder who had spent the last year on a desert island might expect the hand of Paul Daniels behind the transformation of Barker and Dobson. Instead of a mature confectionery business tied to a loss making retail division, there is a profitable supermarket chain—Budgen—with a recovering confectionery arm. Each part of the business still needs a lot of reorganisation but as an ex-Asda man, Mr John Fletcher should be able to tidy up Budgen's store layout, distribution system and merchandising. Confectionery's problem is overcapacity tied to products with poor brand name recognition; solving the latter problem hit margins in the second half whilst the extraordinary item indicates that Mr Fletcher is eager to cut the cost base. Rationalisation benefits, *plus* a full year from Budgen should push pre-tax profits up to £13m this year, and the many fans of the shares will not be daunted by the price of 183p, up 8p yesterday, or the prospective multiple of 16.

Haggas up 18% and on acquisition trail

John Haggas, West Yorkshire worsted spinner which rejoined the market last May, lifted pre-tax profits from £1.47m to £1.73m in the six months to December 31 1986—an 18 per cent rise. Sales however, were virtually unchanged at £12.08m.

The company said demand was strong for nearly all its products and profits this year were expected to be ahead of the previous £3m pre-tax.

Mid-year earnings per 10p share increased by 1.6p to 5.9p and as forecast, there is an interim dividend of 1p net—a final of 2p has also been projected.

Haggas's re-entry to the market last year came seven years after its takeover by Dawson International. The company is the product of a management buy-out from Dawson in 1983, led by the current chairman and chief executive, Mr Brian Haggas.

Although Haggas has made no recent acquisition, is said it was actively pursuing this area of expansion. Meanwhile, the company's current gilt edged holdings exceed £5m.

Haggas continues to install much new equipment in factories which was enabling it to reduce costs and improve quality.

The company said its spinning division had performed well, with profits up from £1.35m to £1.52m, and there was optimism for the future.

Aireworth Textiles was going through a period of major reorganisation, which included installation of a substantial amount of new machinery. Profits slipped from £182,000 to £114,000, but the company expected a considerable improvement.

Brian Haggas, chairman of John Haggas

The fabric division contributed £237,000 (£151,000). During the past few months, new and additional dyeing equipment had been installed and this operation was expected to make further progress. The outlook was better than for many years, the company said.

Trousers formed a minor part of group operations and the company said the scope for substantial improvement in sales and profits was limited. However, the company was improving the quality of its products and moving up market and was hopeful for the future. Interim profits from this side were £65,000 (£73,000).

Group pre-tax results were struck after depreciation of £204,000 (£182,000) and interest of £4,000 (£106,000).

Macro 4 improves 69% to £1.7m

A 37 per cent improvement in turnover to £4.25m enabled Macro 4 to raise its profits for the six months to December 31, 1986 to £1.71m pre-tax, an increase of 69 per cent over the previous year's figures stripped of an exceptional credit.

The directors said yesterday that they expected figures for the second six months to comfortably exceed both those for the first half and the £1.75m reported for the second half of last year.

Operating expenses rose from £2.12m to £2.65m and other operating expenses accounted for £7,000 (nil).

Other income rose to £117,000 (£42,000) and there were no interest charges, against £5,000 previously. Tax accounted for £703,000 (£659,000).

The directors said that the continuing satisfactory trading results, combined with the group's rental philosophy and conservative financial approach had led to a £1.4m increase in cash balances in the half year to £3.4m.

They foresaw a continuing net increase in total cash and were therefore proposing payment of a 1.125p (nil) net interim dividend. Half year earnings came through at 4.7p (2.6p) per 5p share.

The group, a developer of systems software for IBM mainframe computers, came to market in January last year. The offer of 5.4m shares was 21 times oversubscribed.

● comment

What is surprising about Macro 4 is not that analysts consistently forecast high profits increases — but that it consistently delivers them. A closer look reveals good reasons: the largest mainframe base in the world as its market, low overheads, negligible manufacturing costs, enviable margins. IBM's introduction of a more advanced (and more expensive) operations system has meant doubled rental income from those packages adapted by Macro, while in Europe both licensees and subsidiaries are performing well. By all accounts they have no intention of using their substantial cash for acquisitions; few could match their 40 per cent average profits target. The only obvious drawback is that slight movements in the exchange rate against the dollar could shave £150,000 to £200,000 off the year-end profits. But with £4.2m expected to June, that is not going to present much of a problem. On last night's closing share price of 274p and tax rate of 39 per cent, that gives a prospective p/e of 28; high on the face of it, but certainly justifiable.

High-Point advances to £401,000

The High-Point Services Group, which suffered a setback in the second half of 1985-86, progressed in the opening half of the current year and for the period increased its profits by £80,000 to £401,000 pre-tax.

The directors said that currently all divisions were performing in line with targets and that they looked forward to a successful full-year outcome—the USM group is an adviser to the contracting and construction industries.

Earnings for the half year to November 30 1986 improved from 5.89p to 6.08p and the interim dividend is maintained at 1.75p net on the capital enlarged by last year's rights issue.

The directors said earnings were restrained by the factors which reduced 1985-86's second half profits.

Since last year's acquisitions of Rendels and Schaer Associates considerable time and cost had been expended on integrating the companies into the group.

The directors said: "The results reflect these costs and the need, in the first instance, to invest in restructuring Rendel's business."

They believed that High-Point was emerging from this phase as a group three times larger in revenue terms derived from a wide range of services and geographic bases.

Looking ahead, they said the size of the group and its penetration of the markets offered a strength potential for profits growth. This they saw as their primary concern.

Turnover for the first six months totalled £12.1m (£3.8m). Tax accounted for £112,000 (£97,000).

Synapse Computer up 68%

Synapse Computer Services reported interim pre-tax profits up by 68 per cent but said that last year's figures had been held back by investment early in the year.

On turnover up by 70 per cent to £2.65m (£1.56m), pre-tax profits for the six months to the end of January 1987 increased from £201,200 to £337,200. Earnings per 5p share for this USM-quoted company increased to 4.66p (3.37p).

Directors said the impact of the US subsidiary continued to be negative. Progress was being made but the company was experiencing a slower start than expected.

All other areas were performing to plan and the board looked forward to achieving its targets in the second half.

Operating profit came out at £311,700 (£195,000) and the pre-tax figure was struck after higher finance charges of £25,500 (£6,200). The tax charge was £173,900 (£82,500).

Delyn shares jump

Shares in Delyn Packaging jumped 60p yesterday to 375p, bringing the rise over the past three days to £1.

The directors said they had no knowledge of any reason for this except for the favourable press comment following board changes announced on Monday March 2 and the subsequent interest shown in the company.

BRITISH KIDNEY Patient Association Investment Trust—Earnings 8.5p (5.9p) for 1986 and net dividend 6.25p (4p). Net asset value per share 222.5p (180.6p). Investment income was £68,500 (£53,300). Pre-tax earnings £74,293 (£52,118).

Downturn in second half trims Instem to £0.82m

A DOWNTURN in the second six months of 1986 left electronics company Instem with full-year profits of £816,000 pre-tax, a shortfall of £56,000 on the figures for the previous year.

Mr David Gare, chairman and managing director, blamed the results on three factors: a significant increase in research and development expenditure; a lower order intake in the second half than was anticipated; and the acquisition during the first half of Industrial Computing Machines which rapidly became a drain on resources.

That company was sold in December and resulted in an extraordinary provision of £157,000.

Mr Gare expected increased R and D expenditure to continue until the middle of the current year and then revert to previous levels.

Although this would have an impact on 1987's performance, he was optimistic about Instem's longer-term development.

Turnover for 1986 expanded from £6.06m to £7.45m and gross profits edged ahead by £226,000 to £2.18m. However, administration expenses (including selling and development costs) rose by £255,000 to £1.37m and net interest income declined by £27,000 to £8,000.

A lower tax charge of £296,000 (£367,000) and a minority credit of £9,000 (nil) left earnings per 10p share 0.6p higher at 11.8p.

A final dividend of 1.5p raises the total by 0.25p to 2.5p net.

The company's shares are traded on the USM.

St Modwen Properties tops £1m

St. Modwen Properties' first preliminary results since the reverse takeover of Redman Heenan International last April, showed a pre-tax profit of £1.08m for the 14 months ended November 30, 1986, after writing off £100,000 for goodwill.

In the previous 12 months, the old Redman companies made a profit of £210,000 pre-tax, before charging minorities and extraordinary items totalling £302,000.

In addition to paying all the arrears on the preference shares as promised at the time of the acquisition, the board is recommending a dividend of 0.2p per 10p share, the first payment since 1982.

Mr Stan Clarke, chairman and chief executive, said net rental income now stood at £1.51m and was growing.

The company was continually searching for further development opportunities for both town centre retail schemes and edge of town retail parks, prime warehouse / industrial office developments. This had resulted in a number of significant planning applications being made.

However, with the schemes already in hand the chairman said he was looking forward to increased profits in the current year.

Profits surge at Star

THE DIRECTORS of Star Computer, the London-based computer equipment, software and maintenance group, yesterday revealed a further recovery in group profits.

On turnover up from £4.03m to £4.87m, operating profit for the six months to end-December 1986 advanced tenfold to £331,000 (£30,000). Tax took £91,000 against a credit of £181,000 last time, and after minorities of £9,000, earnings per 10p share rose to 3.5p (3.2p).

The directors said that revenues at Connect Data, a controlling interest of which was acquired last September, were growing rapidly and that the company had already began to contribute to group profits, particularly following increased computer cabling in the City of London, and that a more substantial contribution could be expected in the second half.

Star was confident of further expansion of commercial sales and distribution activities and said that its open architecture initiative would continue to provide a successful platform for the accountancy market.

They added that in addition to organic growth, an aggressive strategy of acquisition and investment would be pursued.

The directors said that a healthy contribution from all activities was expected and there was a strong balance sheet.

Scott Greenham £2.32m purchase

Scott Greenham Group, industrial services group, has bought certain of the assets of Hireplant from the receivers of Frederick Parker Group for £2.32m cash. The company hires plant to the construction and civil engineering industries.

It is Scott Greenham's fourth acquisition in nine months and represents a move into a new but related market. Hireplant has 12 depots, increasing the group's total depots throughout the country to 58.

Lawrie Factors profits advance

An increase of £100m to £870m in the aggregate value of invoices handled by Alex Lawrie Factors for 1986 ensured continued profitable growth.

Pre-tax profits were up 19 per cent from £3.58m to £4.25m on turnover, representing factoring charges on debts purchased and discount charges on prepayments to clients, up from £20.5m to £21.6m.

The company is a leading domestic recourse factor in the UK and is a subsidiary of Lloyds Bank.

Yearling bonds

Yearling bonds totalling £4m at 10¼ per cent, redeemable on March 9, 1988, have been issued by the following local authorities. Newport Borough Council £0.50m: Kirklees Metropolitan Borough Council £2.25m: Alnwick District Council £0.25m: Swansea (City of) £1m.

BOARD MEETINGS

TODAY

Interims: Consolidated Plantations, Galliford, Harmony Gold, Kleinwort Benson International Income Fund, Kleinwort Development Fund, Microfilm Reprographics.

Finals: Anglo American Gold Investment, Coreh, Fife Indmar, Heywood Williams, Hunter, Jaguar, International Thomson, Kleinwort Smaller Companies Investment Trust, Kode International, Law Debenture, Lex Service, Libra Bank, Radius, Royal Dutch Petroleum, Shell Transport and Trading, SPP, Technology For Business, TI Group.

FUTURE DATES

Interims—	
Bailey (Ben)	Mar 18
British Car Auction	Mar 10
Burgess Products	Mar 23
Paterson Zochonis	Mar 17
Reliable Properties	Mar 6
Sheldon Jones	Mar 26
Finals—	
Alida	Mar 24
Asda Property	May 18
BSR International	Mar 14
Brake Brothers	Mar 26
Guardian Royal Exchange	Apr 1
Jones and Shipman	Mar 18
London & Scottish Marine Oil	Mar 31
Refuge	Mar 19
Technology For Business	Mar 5
Virgin	Apr 28

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
161	118	Ass. Brit. Ind. Ordinary	160	—	7.3	4.6	9.8
163	121	Ass. Brit. Ind. CULS	163	—	10.0	6.1	—
40	28	Armitage and Rhodes	35	+1	4.2	12.0	4.9
80	64	BBB Design Group (USM)	76	—	1.4	1.8	18.1
219	166	Bardon Hill Group	219	—	4.6	2.1	24.9
102	55	Bray Technologies	101	+1	4.3	4.3	12.0
136	76	CCL Group Ordinary	132	—	2.9	2.2	9.4
107	86	CCL Group 11pc Conv. Pf.	99	—	15.7	15.9	—
271	116	Carborundum Ordinary	267	—	9.1	3.4	12.9
93	80	Carborundum 7.5pc Pf.	93	—	10.7	11.5	—
125	75	George Blair	87	—	3.8	4.4	2.2
114	57	Ind. Precision Castings	114	—	6.7	5.9	10.2
176	122	Isis Group	122	—	16.3	—	—
124	101	Jackson Group	118	—	6.1	5.1	5.1
377	280	James Burrough	365	+3	17.0	4.7	10.3
100	87	James Burrough 9pcPf.	87xd	—	12.9	14.8	—
1035	342	Multihouse NV (AmstSE)	715	—	—	—	37.5
380	280	Record Ridgway Ordinary	355	+2	—	—	8.3
100	83	Record Ridgway 10pc Pf.	83	—	14.1	17.0	—
91	67	Robert Jenkins	90	—	—	—	4.0
60	30	Scruttons	80	—	—	—	—
150	87	Torday and Carlisle	147	—	5.7	3.9	8.9
340	321	Travian Holdings	324	—	7.9	2.4	8.7
80	42	Unilock Holdings (SE)	80	—	2.8	3.5	14.7
129	85	Walter Alexander	128	—	5.0	3.9	12.2
200	190	W. S. Yeates	193	—	17.4	9.0	18.3
98	67	West Yorks. Ind. Hosp. (USM)	98	—	5.6	5.7	14.0

Granville & Company Limited
8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
Member of FIMBRA

Granville Davies Coleman Limited
27 Lovat Lane, London EC3R 8DT
Telephone 01-621 1212
Member of the Stock Exchange

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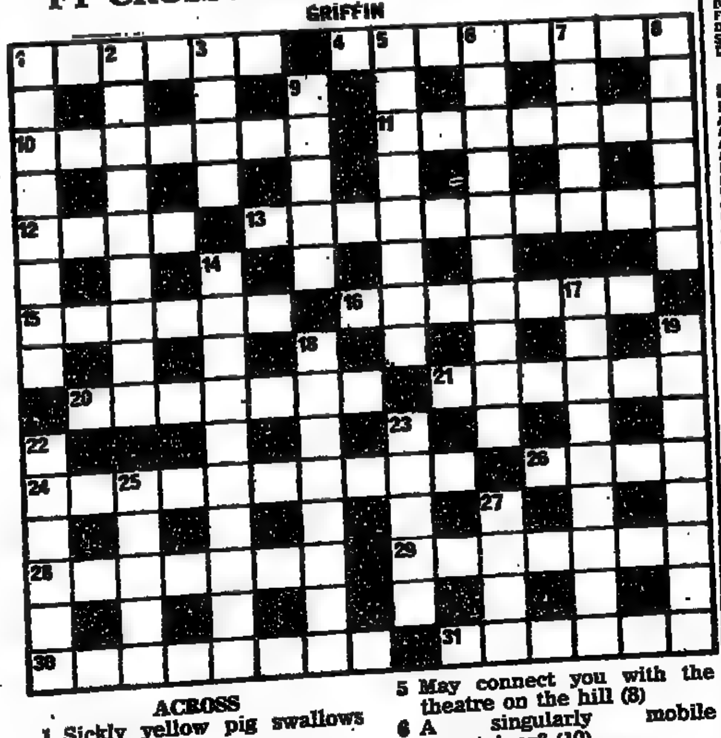
FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

FT CROSSWORD PUZZLE No. 6,269

GRIFFIN



ACROSS

1 Sickly yellow pig swallows everything! (6)
4 Doctor met nun rebuilding tomb (8)
10 Section of FBI agents prepared to go round (7)
11 Gourmet ordered pie and preserve (7)
12 Lover boy is pressing for retirement (4)
13 For new clue, say, put "tree yielding gum" (10)
15 Light brown container for hot drink (6)
16 Actor George is seen outside stage school (7)
20 Without it the city needs iron and wood (7)
21 Asian public property (6)
24 Thwart plot by ill-tempered person (10)
26 Thought one expensive without an end (4)
28 Suitable girl for Russian leader? (7)
29 Also intend to surround squad (7)
30 Ridiculous eccentric rides round on miniature railway (8)
31 A paper-folding act (6)

DOWN

1 Uses form to trap writers causing anxiety (8)
2 In Argyle I switched on for "Roman Soldier" (9)
3 Augury is nothing to some people (4)
5 May connect you with the theatre on the hill (8)
6 A singularly mobile entertainer? (10)
7 Tex exploded "mid-July" in triumph (5)
8 He believes it's broken the top (6)
9 Good man on strike for a drink (5)
14 Rising after talk, interview those who got letters (10)
17 Pompous old lady takes medicine around one (9)
18 An insular person I speak ill of (8)
19 Keep sovereign as an advance fee (8)
22 Races round to front door, alarmed (6)
23 Opportunity for policeman in the South-East (5)
25 Gold-coloured lift system (5)
27 Fastening on Knotty Ash piano (4)

Solution to Puzzle No. 6,268

AUTHORISED UNIT TRUST & INSURANCES

Canzon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876

2nd Series Life Accumulation				
Equity	383.3	405.6	-0.7	—
High Income	328.5	347.6	-0.8	—
Property	217.6	230.3	....	—
Managed 2	95.7	101.3	....	—
Managed	270.3	286.0	+0.2	—
Managed 4	98.5	104.2	....	—
Deposit	178.1	188.5	....	—
Gilt	187.7	198.6	-0.4	—
American	272.9	288.8	+1.2	—
International Money	196.9	208.4	+0.7	—
Far East	217.1	229.7	+1.7	—
Global	106.9	113.1	+0.3	—
European	107.7	114.0	+0.1	—
Japan	114.3	121.0	+0.7	—
Heritage Property	98.5	104.2	....	—
2nd Series Pension Accumulation				
Equity	615.9	651.7	-1.4	—
High Income	393.8	416.7	-1.0	—
Property	306.6	324.4	....	—
Managed 2	95.7	101.3	....	—
Managed	393.4	416.3	+0.3	—
Managed 4	98.9	104.7	-0.1	—
Deposit	265.9	281.4	....	—
Gilt	265.7	281.2	-0.6	—
American	433.0	458.2	+2.1	—
International Money	283.0	299.5	+1.1	—
Far East	240.5	254.5	+2.0	—
Global	110.2	116.6	+0.3	—
European	111.3	117.8	+0.2	—
Japan	119.8	126.8	+0.9	—
Heritage Property	99.9	105.7	....	—
Other Funds				
Equity Units		82.69	-0.18	—
Property Units		22.98	....	—
Balanced Bond/Exec	38.10	40.32	+0.02	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	122.0	128.0	....	—
Risk & Reward Bond	159.0	168.0	....	—
Murray Johnstone Fd	137.0	149.0	....	—
Money Market Fd	111.0	117.0	....	—
Investment Strategy Fd	100.0	106.0	....	—
Ivory & Sime Pens Fd	123.0	130.0	....	—
Risk & Reward Pens Fd	141.0	149.0	....	—
Murray J'stone Pens Fd	134.0	142.0	....	—
Money Market Pens Fd	111.0	117.0	....	—
Inv Strategy Pens Fund	101.0	107.0	....	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Saxon Gate West, Cent Milton Keynes MK9 2LA

Devonshire Life—Contd.

Money	101.0	106.4	....	—
Pen Managed	142.1	149.6	-0.5	—
Pen World Growth	106.2	111.9	-1.0	—
Pen UK Equity	159.2	167.7	-0.2	—
Pen UK Small Cos	144.1	151.7	+0.2	—
Pen European	99.3	104.6	....	—
Pen Far Eastern	239.5	252.2	-0.9	—
Pen Nth American	97.4	102.6	-0.4	—
Pen Fixed Interest	115.4	121.5	-0.1	—
Pen Index Linkd Stks	109.2	115.0	-0.4	—
Pen Money	106.2	111.9	+0.1	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 521 311

Secure Fund	105.0	110.6	+0.1	—
Blue Chip Fund	143.5	151.1	+1.5	—
Performance Fund	168.3	177.2	+0.4	—
Adventurous Fund	160.8	169.3	+0.1	—
Pensions Secure	96.6	101.7	....	—
Pensions Blue Chip	111.3	117.2	+1.2	—
Pensions Performance	109.2	115.0	+0.3	—
Pensions Adventurous	108.2	113.9	+0.1	—
Pensions With Profits	103.1	108.6	+0.8	—

Eagle Star Insur./Midland Assur.
1 Threadneedle St, London EC2 01-588 1212

Eagle/Mid. Units	189.7	196.4	+1.4	3.78

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP 01-606 6611

Far Eastern	187.1	196.9	+1.8	—
Fd of Inv Tsts	157.1	165.4	+0.6	—
Gilt & Fixed Int	119.8	126.1	+0.2	—
High Income	175.6	184.8	+1.7	—
Intnl Growth	115.2	121.3	+0.1	—
Managed	142.6	150.1	+0.8	—
Money	109.8	115.6	....	—
North American	127.5	134.2	+0.1	—
Pelican	166.7	175.5	+1.9	—
Property	108.8	114.5	....	—
Special Sits	173.5	184.7	+1.4	—
School Fee Managed	158.1	166.4	+1.1	—
Pension Funds				
Far Eastern	215	227.3	+2.6	—
Fd. of Inv. Tsts.	175.4	184.6	+0.9	—
Gilt & Fixed Int.	125.4	132.0	+0.2	—
High Income	203.8	214.5	+2.4	—
International Growth	120.1	126.4	+0.2	—
Managed	158.1	166.4	+1.1	—
Money	120.0	126.3	....	—
North American	134.0	141.1	+0.3	—
Pelican	189.5	199.5	+2.8	—
Property	109.1	114.8	....	—
Special Sit	201.4	212.0	+2.0	—

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هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ∅ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	35	MEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	50	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
	16	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

EEC Ministers agree to assault on butter mountain

A NEW plan aimed at limiting the long standing system of guaranteed EEC butter purchases—and thus at reducing the size of the Community's most-notorious food "mountain"—was finally approved early yesterday morning by Farm Ministers meeting in Brussels.

The decision means that at certain times of the year—and possibly as early as the end of this summer—farmers and traders are likely to lose an important outlet for their production. As a result market prices are expected to fall.

Only Ireland and Luxembourg are understood to have formally voted against the proposal but the West Germans were also deeply unhappy about what they consider a further and excessive attack on farm incomes.

Yesterday's accord was struck at the end of a sometimes bitter and characteristically protracted negotiating session. It covered a package of measures (including the Commission's so-called socio-structural proposals) which implements in detail the apparently far reaching decisions on milk quota cuts taken by the December Council. Although Mr Frans Andriessen, the EEC's Farm Commissioner, was putting on a brave face yesterday at a hastily called press conference in Brussels, the Commission was forced to offer unexpected palliatives to certain member states and to compromise its original proposals in ways which could prove significant.

As he also pointed out, however, the effective closing of this important chapter of Common Agricultural Policy (CAP) reform achieved this week satisfactorily cleared the decks for the next part of the story—the negotiations, which he admits will be difficult, over the Commission's restrictive farm price proposals for the next marketing year.

● New regulations on the dairy market, providing for the quota cut of 9½ per cent over two years already agreed in December, which will now definitely begin in April; the compensation for producers also previously approved; and the key new plan for suspending purchases of butter and skimmed milk powder. The argument this week—and indeed during last month's Farm Council—was caused primarily by the fact that Ministers agreed only to the principle of suspension in December, not to the conditions.

The deal effectively takes March 1 this year as the starting point and indicates that the Commission "may suspend intervention purchases in the whole Community or part of it" when new butter stocks have exceeded 180,000 tonnes (a target which experts say could be reached later this summer).

Observers point out that the final wording of the text imposed no obligation on the Brussels executive to suspend the system, nor to apply it uniformly in every member state.

This dilution of the original proposal—which could be used, for example, to soften the blow on the strategically important Irish diary industry — did not meet with Mr Andriessen's approval. Asked about the possibility of butter moving around the Community in search of "open" intervention stores, he claimed yesterday that "ways could be found of stopping this sort of product tourism."

Ministers, meanwhile, have also insisted that if the average weighted market price in a member state fell below 92 per cent of the guaranteed EEC price, intervention would be resumed. If stocks rose above 250,000 tonnes, that trigger would fall to 90 per cent.

Skimmed milk powder intervention may be suspended each year during the March 1 to August 31 period once stocks pass 100,000 tonnes (taking March 1 as the starting point).

● The socio-structural package, which allows for spending of Ecu 350m over an initial three-year period on special aid to farmers who adopt less intensive farming methods for products in surplus: aid for farmers "who practice husbandry compatible with protection of the environment in environmentally sensitive areas", and new payments to farmers in the less favoured and mountain areas of the Community. These proposals opened up deep divisions among member states — with French opposition particularly vocal — and the Commission was ultimately forced to drop its most controversial plan to pay early pensions to farmers.

Mr Andriessen, however, insisted yesterday that the early retirement issue was not dead and that the proposals would be reconsidered in the light of the Commission's current discussions on a new framework for national farm income aids.

Mr Frans Andriessen . . . putting on a brave face

"We are not only trying to reform the CAP," he said, "we are also trying to deal specifically with the problems of small farmers."

He added: "More needs to be done to make Farm Ministers aware of the need for these accompanying measures."

Three other measures thrown into yesterday's package were crucial in enabling Ministers to reach agreement. These were a regulation allowing West Germany to bring forward to 1987 the milk quota reductions envisaged for 1988 — thereby solving an awkward domestic problem; authorisation for France to pay social security contributions of FFr 100m for its small diary producers; and an additional allocation of Ecu 20m for agricultural research.

A key item of unfinished business remains, a separate Ecu 3.2bn EEC plan to dispose of close to 1m tonnes of the 1.25m tonne butter mountain by the end of next year. This has already been approved in principal by Farm Ministers but the European Parliament has so far failed to deliver its verdict. The scheme is likely to be given the final go ahead by EEC Finance Ministers at their meeting in Brussels next Monday.

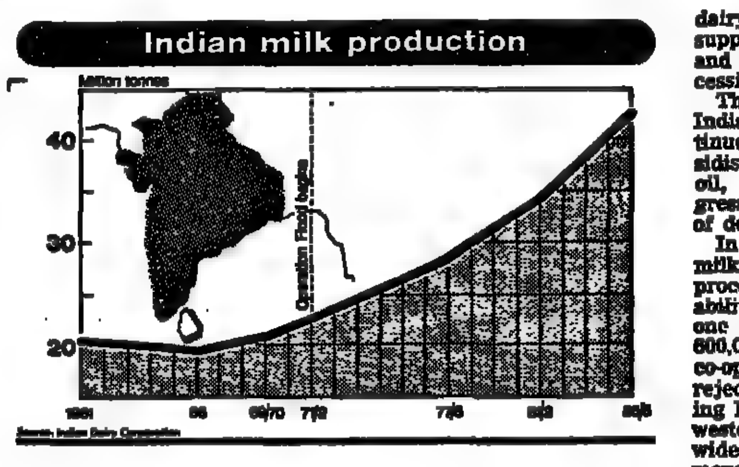
Tim Dickson on the hard-won Farm Council accord

Indian dairy aid under attack

BY JOHN ELLIOTT IN NEW DELHI

A CONTROVERSY has built up within the EEC about whether to supply India with food aid in the form of 75,000 tonnes of milk powder and 25,000 tonnes of butter oil worth about $160m to help finance the third stage of the country's Operation Flood programme of co-operative dairy development.

A report recently completed for the European Commission on the first two stages of Operation Flood, which have received EEC food aid since 1970 worth in excess of $300m, suggests that supplies of milk powder and butter oil should be reduced or stopped, because they are no longer needed and might impede progress towards self-sufficiency.



The EEC has therefore been considering switching to cash aid. But Dr Verghese Kurien, chairman of India's National Dairy Development Board, which runs the programme, has told the EEC he is not prepared to accept cash and he has even threatened to turn instead to the US, Canada, or to individual European countries, if the EEC accepts the report's recommendations.

The US, however, has responded to his informal approaches by pointing out that its surpluses of milk powder and butter oil have been reduced recently by increased market demand in the wake of the Chernobyl disaster.

Dr Kurien is to meet Mr Claude Cheysson, EEC Commissioner for north-south relations, in Brussels on March 13 to discuss the problem. One compromise might be for the EEC to agree to Dr Kurien's request to continue the food aid for a third and final term of five years, but to ask in return for specific spending targets to be set and for a system of monitoring to be introduced.

Operation Flood started in 1970 and is also backed with finance from the World Bank, which is expected to provide $150m for the third phase. Its aim is to rationalise India's milk production and cut out expensive private sector middle men by forming a national milk grid that takes milk from new village co-operatives to major cities and urban areas such as Delhi, where it operates through a concern called Mother Dairy.

Its first two phases finished officially in 1985, but in practice they are continuing until the third phase is agreed. More than 4.5m families are involved in about 45,000 village co-operatives. They produce up to 10m kg a day, which is only 9 per cent of India's total production but makes up almost all the country's organised dairy industry. The programme's target is 50,000 co-operatives producing 18m litres a day.

The basic successes of the programme so far have been recognised by earlier EEC and other reports. They are mainly due to the driving personality of Dr Kurien who, in the process, has aroused considerable antagonism from opponents within India and from anti-food aid lobbyists in Europe.

The latest EEC report, which praises Operation Flood's milk collection, processing and other technical activities, criticises uneven performance of the programme across the country and a lack of financial control over the use of the aid. The supplies have been sold by the dairy board in lean seasons to supplement domestic supplies and raise money for milk processing and other developments.

The report also says that India no longer needs continued supplies of foreign subsidised milk powder and butter oil, which would impede progress towards the final stages of domestic self sufficiency.

In the 1985-86 flush season, milk production outstripped processing and marketing capabilities with the result that at one time a total of 500,000 to 600,000 litres a day of village co-operatives' milk were being rejected in eight states including Maharashtra and Gujarat in western India. But this year a widespread drought has removed the surpluses.

Dr Kurien insists that despite the 1985-86 regional surpluses, he needs the EEC supplies as buffer stocks for a final five years to help balance out production and marketing activities. But he also wants his aid in the form of food because it makes his organisation independent of the Indian Ministry of Finance which usually handles all foreign financial aid and lends it on to recipients at its own rates of interest.

The EEC now has to decide whether to refuse more supplies from its surplus stocks of milk powder and butter oil. If it does so, it could either end its involvement in what is claimed to be the world's biggest agricultural development project, or it will have to find the cash equivalent which is estimated to amount to just over $30m a year for five years.

Sri Lankan grower suspends London sales

GOVERNMENT-OWNED State Plantations Corporation has suspended sales of tea to London auctions since mid-January because it perceived a price difference between the London and Colombo markets, the Sri Lankan tea industry told Reuters.

The move came after Janatha Estates Development Board, another state-owned planter, told London brokers in November it was doubling London sales to 10m kilos or 10 per cent of production this year.

India lifts tea export curb

INDIA WILL impose no restrictions on tea exports in the fiscal year ending March 31 1988, Mr R. K. Tripathy, the Tea Board chairman, announced yesterday, reports Reuter from Calcutta.

"Exporters will be allowed to sell as much tea as they want next financial year," he said.

India has imposed export ceilings since 1984-85 to conserve domestic stocks and contain local prices. They were fixed at 244m kilos in 1986-87, at 220m in 1985-86, and at 215m in 1984-85.

Reduced tea output due to drought in major tea growing areas may adversely affect India's exports in the current fiscal year, Mr Tripathy said. But he gave no estimate for 1986-87 exports.

Traders estimated exports at 162m kgs between April and December last year, compared with 160m in the same 1985 period.

Buyers unsure of Indian tea availability had switched to other suppliers, mainly in Africa, the traders said.

The ban on exports of the popular CTC (cut, tear and cure) tea in 1983 and the imposition of minimum export prices and export ceilings from 1984-85 led to a fall in exports to several countries, they said.

Mr Tripathy said India's tea output is provisionally estimated at a drought-affected 620m kgs this year, down from 657m in 1985.

"The weather in the past two months has been favourable and we expect a much higher tea production in 1987," he said.

But he said it was too early to estimate a precise production figure for this year.

Mr S. R. Dutta, chairman of the Calcutta Tea Traders Association, said world tea prices in 1987 are likely to remain steady on last year's levels. There might even be an increase in prices given the expected overall world shortage, he added.

"With important tea-producing countries like Sri Lanka and Kenya expecting a lower output in 1987, there is likely to be a global shortage of tea in 1987."

Technical buying boosts aluminium prices

BY RICHARD MOONEY

ALUMINIUM PRICES on the London Metal Exchange registered sharp gains yesterday as technical factors fuelled the market's established fundamental strength. The cash position climbed to a 21-month high of £916.50 a tonne at lunchtime, before easing back to close £29 up on balance at £904 tonne.

Mr Anthony Hodges, head of research at Rudolf Wolff, the London broker, explained that tightness of physical supplies was still providing a bullish background in the market. This has been reflected in the cash position commanding a sizeable premium over the three months position (the reverse of the normal situation). Yesterday the premium widened out from £21.50 to £33.50 a tonne.

On top of this physical tightness aluminium prices were being influenced by technical tightness, Mr Hodges said. In particular he mentioned the "considerable" options interest falling due at the end of April and the end of May, which he said was more than at any previous time. "Because of the large run-up in prices granters (of these options) are being forced to cover." he said.

Another bullish factor was the "discrepancy" between the 99.5 per cent pure aluminium traded on the LME and the 99.7 per cent grade which accounted for most physical business. There was a shortage of 99.5 per cent material, Mr Hodges said, and traders were reluctant to deliver the more valuable aluminium against the lower grade LME contract.

Chartists also played a part in yesterday's strong rise. The breaching of the previous 21-month high at the equivalent of $1,333 a tonne for the three months position had unleashed a fresh wave of speculative buying which pushed the price above $1,350 a tonne. Mr Hodges said the next significant chart resistance point was at $1,375 a tonne, equivalent to £881 a tonne — about £10 above last night's close.

LONDON MARKETS

THE GLOOM which descended on the London coffee futures market following Monday's announcement of the failure of International Coffe Organisation talks on the reintroduction of export quotas was still very much in evidence yesterday. Far from rebounding after Monday's dramatic fall, as so mtraders expected, the market plumbed new depths. The May position reached a fresh four-and-a-half-year low before ending at £1,267.50 a tonne, down £45.50 on the day and £231.50 on the week so far. Some dealers remained hopeful that the accelerated fall in prices would prompt the calling of another emergency meeting of the ICO to try again for quota agreement. "But most people are still utterly stunned," one trader told Reuters. Cocoa futures meanwhile continued their comparatively sedate slide. The May position added £9 to Monday's £13 fall, establishing a fresh 9-month low in the process. Dealers attributed the fall to further hedge selling against West African producer sale.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	903-5	+29	916/912
3 months	870-1	+17	878/868

Official closing (am): Cash 911-2 (893-4), three months 876-6.5 (849-50), settlement 912 (874). Final Kerb close: 871-2. Turnover: 21,400 tonnes.

COPPER

Grade A	Unofficial close	+ or —	High/Low
Cash	911-2	+8.5	916.5/912
3 months	907-7.5	—1.5	914/906.5

Official closing (am): Cash 916-7 (898-9), three months 911-11.5 (903.5-4), settlement 917 (899). Final Kerb close: 906-7.

Standard			
Cash	863-5	—8	860/864
3 months	860-5	—5.5	—

Official closing (am): Cash 878-9 (862-4), three months 886-90 (883-4), settlement 879 (864). US Producer prices 66.50-70.00 cents a pound. Total Turnover: 30,500 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	309.5-10.5	+1.5	310
3 months	302-2.5	+1.75	304/302

Official closing (am): Cash 309.5-10 (303.5-4), three months 303-3.5 (299.5-300), settlement 310 (304). Final Kerb close: 303.5-3. Turnover: 7,425 tonnes. US Spot: 24-27 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2455-65	+22.5	2420
3 months	2430-35	+15	2451/2425

Official closing (am): Cash 2,419-21 (2,400-5), three months 2,428-30 (2,412-3), settlement 2,421 (2,405). Final Kerb close: 2,430-35. Turnover: 1,218 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	473-4	+5	475/474
3 months	464-5	—0.5	466/462

Official closing (am): Cash 473.5-4 (468-9), three months 466.5-7 (463-4), settlement 474 (469). Final Kerb close: 463-4. Turnover: 11,175 tonnes. US Prime Western: 38.50-40 cents per pound.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.49 (16.51) ringgit per kg. Down 0.02.

GOLD

Gold rose $2¼ to $406¼-406¾ on the London bullion market yesterday. It opened at $406½-407 and was fixed at $407.65 in the morning and $408.55 in the afternoon. The metal touched a low of $405¼-406¼ and a peak of $407¾-408¼, but was unable to break through resistance at the upper level, in spite of improved sentiment as a result of higher oil prices.

GOLD BULLION (fine ounce)	Mar. 4	
Close	$406¼-406¾	(£259-260)
Opening	$406½-407	(£259¾-260¼)
M'n'g fix	$407.65	(£260.147)
Aft'n'n fix	$408.55	(£259.579)

GOLD AND PLATINUM COINS		
Am Eagle	$418-420	(£267-268¼)
Mapleleaf	$418¼-421¼	(£267¼-269¼)
Kr'g'r'nd	$408¼-411¼	(£261¼-263)
½ Krug	$205½-206½	(£131¼-132)
¼ Krug	$110¼-111¼	(£70½-71¼)
Angel	$416-419	(£265¾-267¼)
1/10 Angel	$40¾-45¾	(£26-29¼)
New Sov.	$97-98	(£62-62¾)
Old Sov.	$97-98½	(£62-63)
$ 20 Eagle	$480-530	(£306¼-338½)
Noble Plat	$541-549	(£345¾-350¼)

SILVER

Silver was fixed 1.15p an ounce higher for spot delivery in the London bullion market yesterday at 349.5p. US cent equivalents of the fixing levels were: Spot 547.5c, up 3.25c; three-month 556.45c, up 3.6c; six-month 565.15c, up 3.1c; and 12-month 582.65c, up 3.65c. The metal opened at 349¼-351¼p (547-549c) and closed at 348½-350½p (546-548c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	349.50p	+1.15	349.5p	+0.5
3 months	358.75p	+1.20	358.5p	+0.5
6 months	367.35p	+0.85	—	—
12 months	384.35p	+1.85	—	—

...LME—Turnover: 4 (18) lots of 10,000 ounces.

Cash high/low 347p; three months high/low 358.5p, final kerb 358-60p.

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or —	Business done
April	121.5-125.0	—0.50	—
June	111.0-112.0	—0.75	111.5-111.0
August	108.0-109.0	—0.75	108.8
October	109.0-111.0	—0.50	—
Dec	111.0-112.0	—1.00	112.5-111.5
Feb	113.0-115.0	—1.00	—
April	114.0-120.0	—	—

Sales: 122 (nil) lots of 20 tonnes.

INDICES

REUTERS

Mar. 5	Mar. 2	M'th ago	Year ago
1577.2	1586.5	1599.0	1808.9

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Mar. 3	Mar. 2	M'th ago	Year ago
Spot	115.40	115.03	—	128.52
Fut	114.61	115.95	—	132.93

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Mar. 4 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1440/480		$1305/325
Copper			
Cash Grade A	£911.5	+8.5	£879
3 mths	£907.25	—1.5	£901.25
Gold Troy oz	$406.5	+2.25	$404.75
Lead Cash	£310	+1.5	£299.5
3 mths	£302.25	+1.75	£299.75
Nickel			
Free Mkt	172/182c	+2	164/184c
Palladium oz	$119.25	+2	$123.50
Platinum oz	$529.25	+8.5	$521.50
Quicksilver†	$200/210		$165/175
Silver troy oz	349.50p	+1.65	361.15p
3 mths	358.75p	+1.50	370.75p
Tin			
free Mkt	£4270/800	—15	£4458/480
Tungsten	$44.51		$44.51
Wolfram 22.0lb	$40/46		$37/45
Zinc	£473.5	+3	£479.5
3 mths	£465	—0.5	£475.25
producers	$770/790		$770/790
OILS			
Coconut (Phil)	$350z		$455
Palm Malayan	$305v	—5	$390
Seeds			
Copra (Phil)	$260		$295
Soyabean (U.S.)	$167.5		$144
GRAINS			
Barley Fut. May	£115.15	—0.45	£114.95
Maize	£145.00		£143.50
Wheat Fut. May	£118.10	—0.40	£116.80
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1304.5	—9	£1347.5
Coffee Ft. May	£1267.5	—45.5	£1598.5
Cotton A Ind.*	63.80c	—0.9	66.35c
Gas Oil Apr.	$138	+4.25	$150.5
Rubber (kilo)	60.25p		66p
Sugar (raw)	$203z		$191.5
Wooltops 64s	428p kilo		418p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. y Feb-March. v April. z March-April. x April-May.

COFFEE

With a weak close in New York, London lost further ground as continued liquidation pushed the market down £64. In contrast to Tuesday the market found fresh physical interest from the industry and decent price short-covering, reports Drexel Burnham Lambert.

COFFEE	Yesterday's close	+ or —	Business Done
Mar.	1250-1255	—41.0	1275-1230
May	1265-1270	—45.5	1300-1250
July	1285-1290	—47.5	1320-1275
Sept	1311-1315	—55.5	1348-1301
Nov	1340-1345	—52.5	1371-1343
Jan	1370-1375	—50.0	1398-1350
Mar	1380-1400	—50.0	1425-1400

Sales: 9,544 (13,093) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for March 3: Comp. daily 1979 101.40 (114.58); 15-day average 113.76 (114.86).

COCOA

Futures recorded new lows again on a combination of commission house liquidation and renewed selling. Physical activity was confined to industry price-fixing and light forward offtake, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
March	1267-1268	—10.5	1271-1255
May	1304-1305	—9.0	1311-1292
July	1333-1334	—8.0	1338-1321
Sept	1356-1357	—10.0	1362-1345
Dec	1391-1392	—10.0	1397-1382
March	1405-1406	—11.5	1415-1404
May	1424-1426	—12.5	1438-1422

Sales: 2,916 (3,270) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for March 4: 1,558.65 (1,565.97); 10-day average for March 5: 1,566.66 (1,568.00).

POTATOES

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Apr	168.40	171.90	172.50-167.10
May	178.80	183.00	185.50-177.50
Nov	93.00	90.00	93.00-92.50
Feb	100.00	97.50	100.00
Apr	124.10	121.00	124.10-123.00

Sales: 1,424 (1,356) lots of 40 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $203.00 (£129.50), unchanged (down 50p) a tonne for March-April delivery. White sugar $214.50, up $1.50.

No. 6 Contract	Y'sterd'ys close	Previous close	Business done
	$ per tonne		
May	185.0-185.2	182.6-182.8	186.2-183.0
Aug	186.8-187.8	190.0-190.2	189.8-186.6
Oct	187.4-187.6	190.8-191.0	190.8-187.8
Dec	189.0-192.0	192.0-194.2	—
Mar	195.2-195.8	196.4-197.0	196.4-195.6
May	195.0-197.4	198.8-200.0	195.0

Sales: 3,354 (3,461) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £235.00 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for March 3: Daily price 8.13 (8.11); 15-day average 7.47 (7.42).

Paris (FFr per tonne): May 1335/1339, Aug 1356-1374, Oct 1380-1385, Dec 1420-1435, March 1445-1456, May 1480-1485.

FREIGHT FUTURES

Fresh short-covering and stop-loss buying strengthened the market and took levels to new recent highs. Rumours of Soviet grain inquiries may have prompted some of the buying, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
April	872	879/858	857/858
July	745	750/729	730/732
Oct.	834/835	844.5/830	826/830
Jan.	840/845	840	828/840
Apr.	840/850	—	830/865
July	720	746	720
Oct.	840	—	800/850
Jan.	856	—	850
BFI.	869.5	—	859

Turnover: 821 (1,350).

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.05p per kg lw (+0.08). GB—Sheep 180.23p per kg est dcw (+1.76). GB—Pigs 78.87p per kg lw (+1.68). GB—AAPP 96.64p per kg dw (+0.85).

FUTURES—Pigmeat: Mar 102.50, sales 3. Pigs: April 97.50, June 96.50, Aug 95.00, Oct 98.50, Nov 101.80, sales 16. Live Cattle: April 97.00, sales 2.

RUBBER

PHYSICALS — The London market opened about unchanged, attracted little activity throughout the day and closed dull, reports Lewis and Peat. Closing prices (buyers): Spot 60.25p (same); April 61.00p (same); May 61.00p (same). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 222.0 (same) and SMR 20 191.5 (same).

FUTURES—Index 598, April [illegible], April/June 645-650, July/Sept [illegible]. Sales: Nil.

US MARKETS

CONTINUED STRENGTH in oil prices saw fresh buying emerge in crude oil futures, reports Drexel Burnham Lambert. Early trade buying was joined by fund buying in the face of profit-taking as prices rallied. Gold futures steadied on the opening on local buying. The market failed to penetrate further, so the locals liquidated and prices held in a narrow range until late in the session when fresh buying took prices through stops to produce a strong rally on the close. Platinum futures were held by scale-up trade selling, but the rally in gold and the strength in crude oil helped the market to touch off stops and, like gold, finish with a rally towards the close. Coffee futures again remained locked limit-down in the forward months, but, although the near months contained weak, reflecting the breakdown of the ICO talks, profit-taking was noted, which pared early losses. Sugar futures steadied in early trading as commission houses and trade buying rallied prices. However, trade selling emerged to put the market on the defensive, trading in a narrow range for the rest of the day.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	Prev	High	Low
March	59.90	58.20	59.90	59.60
May	60.20	59.00	60.30	59.55
July	59.40	58.90	59.40	59.40
Sept	58.20	57.80	58.20	58.20
March	57.80	57.60	—	—
May	57.80	57.60	—	—
July	57.80	57.60	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
March	1851	1838	1851	1827
May	1879	1873	1882	1867
July	1903	1895	1905	1891
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500 lbs, cents/lb

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs, cents/lb

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000 lbs, cents/lb

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	416.4	413.1	417.0	411.5
Aug	420.5	417.1	421.5	416.2
Oct	424.5	421.0	425.5	420.0
Dec	428.5	424.9	429.0	423.0
Feb	432.6	428.9	433.0	—
June	440.6	436.7	436.0	436.0
Dec	453.7	449.5	453.5	449.5

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs, cents/lbs

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	Prev	High	Low
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	Prev	High	Low
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lbs, cents/lb

	Close	Prev	High	Low
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SPOT PRICES—Chicago loose lard 13.00 (same) cents per pound. Handy and Harman silver bullion 547.0 (545.0) cents per troy ounce.

GRAINS

Old crop wheat eased after finding good merchant support and shipper selling kept values under pressure. Barley struggled on shipper / broker selling. New crops were marginally steadier on consumer support, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
Mar	117.25	—0.50	113.50	—0.15
May	118.10	—0.45	115.15	—0.45
July	120.20	—0.80	—	—
Sep.	98.90	+0.15	98.15	—
Nov.	100.95	+0.10	100.10	+0.05
Jan.	103.80	—	102.90	+0.15
Mar.	106.15	—	104.85	—

Business done—Wheat: March 117.60-7.20, May 118.50-8.10, July 120.50-0.20, Sept 98.90, Nov 100.95, Jan 103.80, March 106.15. Sales: 242 lots of 100 tonnes. Barley: March 113.65-3.50, May 115.25-5.15, Sept 98.10, Nov untraded, Jan 102.90-2.80, March untraded. Sales: 31 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 1, 15 per cent: April/May 98.00, June 97.00. US No 2 Soft Red Winter: July 90.25. French 11½-12 per cent: March 142.25. English feed, fob: March 118.50, April 120.00, April/June 120.50 paid East Coast, April 120.00-120.50, April/June 120.50-121.00 buyer/sellers, Sept 100.50 value, Oct/Dec 103.75 buyer. Maize: US No 3 Yellow / French, transhipment East Coast: 1st-half March 145.00. Barley: English feed, fob: April 118.75 paid East Coast, March 115.00-115.75 buyer/seller Peterhead, April 119.50 seller English/Scottish, Oct/Dec 103.50 buyer English, Oct/Dec 104.00 seller English/Scottish.

HGCA — Locational ex-farm spot prices. Feed barley: Eastern 113.50, E. Midlands 115.70, N. East 114.60, Scotland 114.00. The UK monetary coefficient for the week beginning Monday, March 9, is expected to be unchanged.

OIL

April Brent opened at $17.30, drifted 20c down during the morning then recovered in the afternoon to $17.35 before easing back towards the close. April WTI opened 15c up on Nymex and traded at 18c up at 1.30 pm EST.

In the petroleum products market gas oil and naphtha continued to rise in line with the oil futures market. Gasoline firmed on active large trade. Fuel oil rose in the morning only to weaken slightly in the afternoon—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Mar.		
Arab Light	[illegible]	[illegible]
Arab Heavy	[illegible]	[illegible]
Dubai	[illegible]	[illegible]
Brent Blend	[illegible]	[illegible]
W.T.I. (1pm est)	[illegible]	[illegible]
Forcados (Nigeria)	[illegible]	[illegible]
Urals (cif NWE)	[illegible]	[illegible]
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	[illegible]	[illegible]
Gas Oil	[illegible]	[illegible]
Heavy fuel oil	[illegible]	[illegible]
Naphtha	[illegible]	[illegible]

GAS OIL FUTURES

Month	Yesterday's close	+ or —	Business Done
	US $ per tonne		
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]

Turnover: 7,990 ([illegible]) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday's close	+ or —	Business Done
	US $ per tonne		
Mar	89.00	+6.75	89.00-88.00
Apr	87.00	+5.00	[illegible]
May	85.50	+7.50	[illegible]

Turnover: 52 (31) lots of 100 tonnes.

Prices mixed at SA mohair sale

PRICES for South African adult mohair were down by 5 per cent to 7 per cent at the first sale of the summer season compared with the last winter sale held February 17, the SA Mohair Board said, reports Reuter.

Young goat prices fell 5 per cent and average kids 2.5 per cent, but good quality kids rose 5 per cent. The good market supporting the adult market on minimum structured levels.

Selection was fair and competition average for the total 3,047 bales on offer, of which 76 per cent sold outright.

هكذا من الأصل

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound finds new strength

STERLING FOUND renewed strength on the foreign exchanges yesterday. The pound rose to new highs, supported by a gain of about $¾ to $17¾ in North Sea oil prices, and high London interest rates.

The situation on the London money market, where the discount houses remained reluctant to sell bills to the authorities at present intervention rates, and the Bank of England declined to signal a cut in bank base rates, suggested that interest rates will remain steady at least until the Budget on March 17. But it also indicated further downward pressure on UK interest rates, and general satisfaction with the political and economic climate in Britain.

Sterling's exchange rate index rose 0.3 to 70.9, the highest level since September 18 last year.

The pound also gained ½ cent to $1.5645-1.5655, the highest close against the dollar since June 10 1983. In terms of other major currencies sterling improved to DM 2.8750 from DM 2.8600; to FFr 9.5650 from FFr 9.5200; to SFr 2.4225 from SFr 2.4076; and to Y240.50 from Y239.75.

The dollar finished around its highest level of the day, shrugging off a large fall of 4 per cent in January US factory orders, the largest monthly drop since May 1980.

Trading in the dollar remained very quiet, with dealers reluctant to buy the US currency, because of recent depressing economic data, concern about the political situation in the US, after the arms for Iran scandal, and fears about possible debt defaults by Latin American countries.

The dollar rose to DM 1.8375 from DM 1.8335; to FFr 6.1125 from FFr 6.1025; to SFr 1.5480 from SFr 1.5440; and to Y153.70 from Y153.65.

On Bank of England figures the dollar's index fell 0.1 to 103.9.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. February average 1.8234. Exchange rate index 147.6 against 148.6 six months ago.

The D-Mark held steady, and in quiet trading dealers began to talk about a possible appreciation by the dollar against the West German currency. A level of DM 1.90 was suggested, but underlying sentiment remained bearish, because of US economic and political problems. At the Frankfurt fixing the Bundesbank did not intervene when the dollar was fixed at DM 1.8304, compared with DM 1.8340 on Tuesday. It closed at DM 1.8335. Sterling maintained its recent firm undertone, supported by high London interest rates, an upturn in oil prces and expectations the Conservative Party wil win the next UK general election.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.20. February average 153.38. Exchange rate index 209.0 against 215.7 six months ago.

The yen was little changed against the dollar in very quiet Tokyo trading. Recent weak US economic data, the political outlook in the US and the problems of third world debt, kept dollar sentiment bearish, but the market remained reluctant to put downward pressure on the currency, following the Paris currency agreement. The dollar eased to Y153.45 in Tokyo from Y153.60. Dealers were uncertain how to interpret Bank of England intervention on Tuesday, but suspected it was not part of the Paris accord to stabilise the currency markets. It added to the nervous mood however, while there was also a reluctance to trade actively ahead of President Reagan's speech about the Iran arms scandal, and tomorrow's release of US unemployment figures.

£ IN NEW YORK

Mar 4	Latest	Previous Close
£ Spot	1.5635-1.5645	1.5605-1.5615
1 month	0.60-0.57 pm	0.66-0.64 pm
3 months	1.54-1.50 pm	1.59-1.56 pm
12 months	5.10-5.00 pm	5.18-5.08 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Mar. 4	Previous
8.30 am	70.7	70.9
9.00 am	70.8	70.9
10.00 am	70.8	70.7
11.00 am	70.8	70.7
Noon	70.7	70.7
1.00 pm	70.8	70.7
2.00 pm	70.8	70.7
3.00 pm	70.9	70.6
4.00 pm	70.9	70.6

CURRENCY RATES

Mar. 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.80819	0.722457
U.S. Dollar	5.5	1.2647	1.13090
Canadian $	8.20	*	1.50782
Austrian Sch.	4	16.28379	14.5692
Belgian Franc	8	47.9494	42.8838
Danish Krone	7	8.71855	7.79525
Deutsche Mark	3.0	2.3148	2.07127
Neth. Guilder	4½	2.61460	2.33807
French Franc	9½	7.7043	6.89261
Italian Lira	12	1645.88	1471.96
Japanese Yen	2½	194.06	173.605
Norway Krone	8	8.79569	7.86989
Spanish Peseta	—	162.761	145.557
Swedish Krona	7½	N/A	7.28574
Swiss Franc	3.5	N/A	1.74283
Greek Drach.	20½	169.808	151.913
Irish Punt	—	0.86799	0.776236

*CS/SDR rate for Mar. 3: 1.68471. (1) SDR rate for Mar 2.

CURRENCY MOVEMENTS

March 4	Bank of England Index	Morgan Guaranty Changes %
Sterling	70.9	−23.1
U.S. Dollar	103.9	−3.2
Canadian Dollar	78.4	−10.5
Austrian Schilling	138.6	+10.4
Belgian Franc	100.4	−4.0
Danish Kroner	93.6	+4.1
Deutsche Mark	147.6	+22.0
Swiss Franc	170.8	+21.1
Guilder	134.9	+14.4
French Franc	72.0	−12.4
Lira	48.4	−16.4
Yen	209.0	+56.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Mar. 4	£	$
Argentina	2.4050-2.4160	1.5350-1.5410
Australia	2.2985-2.3015	1.4695-1.4705
Brazil	27.7390-27.9165	17.7170-17.8060
Finland	7.0755-7.0865	4.5170-4.5190
Greece	208.25-212.35	133.15-135.35
Hong Kong	12.2145-12.2255	7.7975-7.7995
Iran	114.00*	72.40*
Korea (Sth)	1328.65-1340.65	851.50-858.50
Kuwait	0.43380-0.43440	0.27720-0.27740
Luxembourg	59.50-59.60	38.00-38.10
Malaysia	3.9475-3.9530	2.5200-2.5220
N. Zealand	2.7675-2.7750	1.7695-1.7725
Saudi Ar.	5.8685-5.8740	3.7500-3.7510
Singapore	3.3465-3.3520	2.1365-2.1385
S. Af. (Cm)	3.2570-3.2585	2.0745-2.0790
S. Af. (Fn)	5.5960-5.8030	3.5715-3.7055
Taiwan	54.50-54.80	34.95-35.05
U.A.E.	5.7475-5.7525	3.6725-3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.8838	+1.00	+1.00	±1.5344
Danish Krone	7.85212	7.79525	−0.72	−0.72	±1.6404
German D-Mark	2.05853	2.07127	+0.62	+0.62	±1.0981
French Franc	6.90403	6.89216	−0.17	−0.17	±1.3674
Dutch Guilder	2.31943	2.33807	+0.80	+0.80	±1.5012
Irish Punt	0.768411	0.776236	+1.02	+1.02	±1.6684
Italian Lira	1483.58	1471.96	−0.78	−0.78	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Mar. 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5615-1.5680	1.5645-1.5655	0.60-0.57 c pm	4.49	1.53-1.48 pm	3.85
Canada	2.0825-2.0888	2.0855-2.0865	0.65-0.55 c pm	3.45	1.52-1.36 pm	2.76
Neth'lands	3.23¾-3.24¾	3.23¾-3.24¾	1⅝-1⅜ c pm	5.55	4¼-4 pm	5.09
Belgium	59.24-59.60	59.50-59.60	20-15 c dis	−3.53	46-40 dis	−2.89
Denmark	10.76¾-10.82	10.81-10.82	⅛pm-1⅛ ore dis	−0.49	2-3½ dis	−1.02
Ireland	1.0695-1.0810	1.0770-1.0780	0.23-0.35 p dis	−3.23	0.85-1.15 dis	−3.71
W. Germany	2.86½-2.88	2.87-2.88	1¾-1½ pf pm	7.04	4¾-4½ pm	6.43
Portugal	220.11-221.49	220.30-221.40	67-150 c dis	−5.90	289-380 dis	−6.06
Spain	201.21-201.90	201.60-201.90	37-62 c dis	−2.91	135-173 dis	−3.05
Italy	2032½-2044½	2043½-2044½	4-1 lire dis	0.88	6-par pm	0.59
Norway	10.86¾-10.97¼	10.88¾-10.89¾	2⅝-3¼ ore dis	−3.51	11¾-13 dis	−4.55
France	9.52-9.57	9.56-9.57	2½-2 c pm	2.82	5½-4½ dis	−2.12
Sweden	10.06½-10.09½	10.08½-10.09½	¾-1¼ ore dis	−0.97	¾-2 dis	−0.57
Japan	240¼-241	240-241	1½-1¼ y pm	6.55	3¾-3½ pm	6.13
Austria	20.10-20.18	20.12-20.15	11¾-10⅝ gro pm	6.70	29¾-27¼ pm	5.67
Switzerland	2.40¾-2.42¾	2.41¾-2.42¾	1½-1¼ c pm	6.81	4½-3¾ pm	6.50

Belgian rate is for convertible francs. Financial franc 59.95-60.05. Six-month forward dollar 2.79-2.74 c pm 12-month 5.05-4.95 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Mar. 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5615-1.5680	1.5645-1.5655	0.60-0.57c pm	4.49	1.53-1.48pm	3.85
Ireland†	1.4520-1.4598	1.4525-1.4535	1.00-0.95c pm	8.02	2.95-2.85 pm	7.96
Canada	1.3315-1.3330	1.3320-1.3330	0.10-0.13c dis	−1.04	0.34-0.39 dis	−1.10
Netherlands	2.0615-2.0738	2.0720-2.0730	0.16-0.14c pm	0.87	0.53-0.48 pm	0.98
Belgium	37.80-38.10	38.00-38.10	3-4½c dis	−1.19	10½-12½ dis	−1.21
Denmark	6.87-6.90¾	6.90¾-6.91¼	2.65-3.35ore dis	−5.22	8.55-9.25 dis	−5.17
W. Germany	1.8260-1.8380	1.8370-1.8380	0.38-0.35pf pm	2.39	1.11-1.07 pm	2.38
Portugal	141-141½	141¼-141½	100-150c dis	−10.64	350-450 dis	−11.35
Spain	128.65-129.00	128.90-129.00	80-90c dis	−7.93	240-260 dis	−7.77
Italy	1298-1306½	1305¾-1306¼	3¾-4½lire dis	−3.46	10-12½ dis	−3.46
Norway	6.94-6.96½	6.95½-6.96	4.50-5.00ore dis	−8.20	14.90-15.40dis	−8.72
France	6.07½-6.11½	6.11-6.11½	0.83-0.93c dis	−1.16	2.65-2.95 dis	−1.23
Sweden	6.42¾-6.45	6.44½-6.45	2.80-3.10 ore dis	−5.50	7.50-7.90 dis	−4.78
Japan	153.25-153.75	153.65-153.75	0.26-0.23y pm	1.92	0.84-0.79 pm	2.12
Austria	12.84¼-12.89¾	12.88¼-12.89¾	2.40-1.90gro pm	2.00	6.00-5.00 pm	1.71
Switzerland	1.5365-1.5490	1.5475-1.5485	0.33-0.28c pm	2.38	1.01-0.96 pm	2.56

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.30-38.40. Correction for Mar. 3: Belgian Financial Franc 38.25-38.35.

EURO-CURRENCY INTEREST RATES

Mar. 4	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	11½-11¼	11½-11¼	10⅞-11	10⅝-10½	10⅜-10¼	10-10⅛
U.S. Dollar	5⅞-6⅛	6⅛-6¼	6⅛-6¼	6⅛-6¼	6⅛-6¼	6⅜-6½
Can. Dollar	6¾-7½	7-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅝-7¾
D. Guilder	5⅛-5⅜	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅛-5¼
Sw. Franc	1¾-2	2⅛-2⅜	3⅞-4⅛	3⅞-3⅞	3⅞-3⅞	3⅞-3⅞
Deutschmark	3⅞-4	3⅞-4	3⅞-4⅛	4-4⅛	4⅛-4⅛	4⅛-4¼
Fr. Franc	8½-8¾	7⅞-8	7⅞-8⅛	8-8¼	8⅛-8¼	8⅛-8¼
Italian Lira	9.12	9⅞-10⅛	9⅞-10⅛	9⅞-10⅛	9⅞-10⅛	9⅞-10⅛
B. Fr. (Fin.)	7¼-8	7⅝-7⅞	7⅝-7⅞	7⅝-7⅞	7⅝-7⅞	7⅝-7⅞
B. Fr. (Con.)	7¼-8	7¾-8	7¾-8	7¾-8	7¾-8	7¾-8
Yen	4⅛-4⅜	4⅛-4⅛	4⅛-4⅛	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜
D. Krone	11¼-11⅜	11¼-11⅜	11⅞-12	11¼-11⅜	11¼-11⅜	11-11½
Asian $ (Sing.)	2⅞-3	N/A	3⅛-3¼	3⅛-3¼	3⅛-3⅞	3⅞-3⅞

Long-term Eurodollars: Two years 6⅜-6½ per cent; three years 6⅞-7⅛ per cent; four years 7⅛-7½ per cent; five years 7⅛-7⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar. 4	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.565	2.875	240.5	9.565	2.423	3.243	2044.	2.086	59.55
$	0.639	1.	1.838	153.7	6.113	1.548	2.073	1306.	1.333	38.05
DM	0.348	0.544	1.	83.65	3.327	0.843	1.128	711.0	0.726	20.71
YEN	4.158	6.507	11.95	1000.	39.77	10.07	13.48	8499.	8.674	247.6
F Fr.	1.045	1.636	3.006	251.4	10	2.533	3.390	2137.	2.181	62.26
S Fr.	0.413	0.646	1.187	99.28	3.949	1.	1.338	843.8	0.861	24.58
H Fl.	0.308	0.483	0.887	74.17	2.950	0.747	1.	630.4	0.643	18.37
Lira	0.489	0.766	1.407	117.7	4.680	1.185	1.586	1000.	1.021	29.13
C $	0.479	0.750	1.378	115.3	4.585	1.161	1.554	979.9	1.	28.55
B Fr.	1.679	2.628	4.828	403.9	16.06	4.068	5.445	3432.	3.503	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Sterling prices continue firm

STERLING BASED prices continued to rise in the London International Financial Futures Exchange yesterday. Values were pushed firmer as the market looked for an early cut in clearing bank base rates. Traders were now looking for a one point cut in rates some time between now and the UK Budget on March 17 but in addition current euphoria suggested that a further cut could not be ruled out before too long. This sentiment was reflected in the level of three-month sterling deposits but dealers pointed out that contracts were well bought and the possibility of traders taking profits even before the Budget could not be ruled out. Attempts by the Bank of England to pull the hand-brake a notch tighter were ignored.

The June price for three-month sterling deposits opened at 90.36, unchanged from Tuesday's close but soon rose to touch a best level 90.48 before closing at 90.46.

Gilt stocks acted in much the same way, opening at 120-08 for June delivery, which proved to be the day's low, and rising to a high of 121-04 before closing at 121-00. US Treasury bond prices showed little overall change, opening at 100-02 for June delivery and trading down to a low of 99-31 before coming back to close at 100-13 compared with Tuesday's close of 100-12.

Higher oil prices and related fears about inflation tended to encourage selling overnight and prices started the day on a weaker note. However some buyers eventually emerged to push values up to the day's best level at the close. Trading volume in this sector was rather low. Dealers were looking for good unemployment figures on Friday to boost sentiment while the dollar's recovery from earlier lows also prompted an improved trend.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	9.06	9.22	0.06	0.34
114	7.13	7.48	0.13	0.55
116	5.37	6.11	0.37	1.23
118	3.60	4.53	0.60	2.01
120	2.42	3.40	1.42	2.52
122	1.45	2.43	2.45	3.55
124	1.03	1.58	4.03	5.06
126	0.36	1.20	5.36	6.32

Estimated volume total, Calls 2,388 Puts 600
Previous day's open int: Calls 11,880 Puts 6,539

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	8.27	7.46	0.01	0.24
94	6.33	6.03	0.07	0.45
96	4.46	4.37	0.20	1.15
98	3.10	3.20	0.48	1.62
100	1.44	2.19	1.18	2.61
102	0.55	1.39	2.29	4.11
104	0.29	0.61	4.03	5.39
106	0.12	0.37	5.50	7.15

Estimated volume total, Calls 10 Puts 8
Previous day's open int: Calls 225 Puts 213

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last April	Calls—Last May	Puts—Last April	Puts—Last May
19000	12.33	16.30	0.38	0.80
19250	10.14	14.18	0.69	1.18
19500	8.11	12.18	1.16	1.68
19750	6.30	10.32	1.85	2.32
20000	4.73	8.63	2.78	3.13
20250	3.43	7.10	3.98	4.10
20500	2.39	5.76	5.44	5.26
20750	1.60	4.60	7.15	6.60

Estimated volume total, Calls 49, Puts 2
Previous day's open int. Calls 598 Puts 566

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.30	26.55	—	—	26.55	0.00	—	—	0.00
1.35	21.55	—	—	21.55	0.00	—	—	0.03
1.40	16.55	16.55	16.55	16.55	0.00	0.00	0.01	0.16
1.45	11.55	11.55	11.65	11.55	0.00	0.03	0.12	0.60
1.50	6.55	6.55	6.55	6.58	0.01	0.34	0.69	1.68
1.55	1.84	2.58	2.72	3.62	0.54	1.71	2.38	3.72
1.60	0.11	0.67	0.90	1.72	3.81	4.83	5.56	6.82

Estimated volume total, Calls 60, Puts 50
Previous day's open int, Calls 766, Puts 1999

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.35	15.70	—	—	13.90	0.25	—	—	0.80
1.40	16.60	16.60	16.60	16.60	0.30	0.30	0.30	0.50
1.45	11.60	11.60	11.60	11.60	0.30	0.30	0.50	0.75
1.50	6.80	6.60	6.70	6.80	0.30	0.65	1.20	1.70
1.55	1.80	2.65	3.20	3.60	0.90	2.00	3.05	3.80
1.60	0.35	0.80	1.30	1.65	4.20	5.40	6.20	7.00
1.65	1.50	—	—	1.90	20.20	—	—	21.40

Previous day's open int: Calls 899 Puts 363
Volume: 31

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Mar.	Puts—Last Apr.	May	June
1.400	16.30	15.55	—	16.30	—	—	—	—
1.450	11.30	10.65	11.30	11.50	—	0.05	0.20	0.45
1.475	8.70	8.70	—	8.70	—	0.10	0.40	0.80
1.500	6.30	6.05	6.40	6.50	—	0.25	0.85	1.38
1.525	3.80	4.40	4.40	4.60	—	0.70	1.50	2.05
1.550	1.60	2.40	2.80	3.20	0.20	1.50	2.40	3.15
1.575	0.35	1.35	2.95	2.30	1.90	2.70	3.80	4.60

Previous day's open int: Calls 58,087, Puts 49,515
Previous day's volume, Calls 4,342 Puts 2,617

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Mar.	June	Sept.	Dec.	Puts—Last Mar.	June	Sept.	Dec.
93.00	0.60	0.69	0.72	—	0.00	0.02	0.07	—
93.25	0.35	0.47	0.53	—	0.00	0.05	0.13	—
93.50	0.13	0.28	0.36	—	0.03	0.11	0.21	—
93.75	0.02	0.15	0.23	—	0.17	0.23	0.33	—
94.00	0.00	0.06	0.13	—	0.40	0.39	0.48	—
94.25	0.00	0.02	0.06	—	0.65	0.60	0.66	—
94.50	0.00	0.00	0.03	—	0.90	0.83	0.88	—

Previous day's open int: Calls 2,106, Puts 2,394
Estimated volume, Calls 0, Puts 0

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
March	120-23	120-24	120-01	119-18
June	121-00	121-04	120-08	119-27
Sept.	120-26	120-07	120-07	119-21
Dec.	121-01	—	—	119-28

Estimated volume 27,307 (16,074)
Previous day's open int. 17,957 (17,708)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
March	101-08	—	—	100-56

Estimated Volume 0 (0)
Previous day's open int. 64 (64)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
March	89.81	89.85	89.70	89.72
June	90.46	90.48	90.35	90.36
Sept.	90.65	90.66	90.60	90.55
Dec.	90.66	90.64	90.58	90.56
March	90.57	90.52	90.50	90.47
June	90.41	90.38	90.38	90.31

Estimated Volume 6,619 (4,501)
Previous day's open int. 21,105 (21,047)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
March	201.95	202.80	201.10	199.50
June	205.50	206.50	204.90	203.00

Estimated volume 1,219 (870)
Previous day's open int. 4,874 (4,976)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
March	93.60	93.60	93.56	93.61
June	93.67	93.67	93.64	93.69

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

IMM—STERLING $e per £

	Close	High	Low	Prev.
Mar.	1.5635	1.5660	1.5620	1.5585
June	1.5500	1.5530	1.5485	1.5445
Sept.	1.5405	1.5410	1.5380	1.5320

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev.
March	1.5630	—	—	1.5575
June	1.5490	1.5530	1.5482	1.5435
Sept	1.5375	—	—	1.5320

Estimated volume 20 (94)
Previous day's open int 1,157 (1,155)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar.	101-16	101-17	101-06	101-11
June	100-14	100-14	100-03	100-09
Sept.	99-15	99-16	99-06	99-10
Dec.	98-16	98-16	98-06	98-13
Mar.	97-19	97-19	97-15	97-17
June	—	—	—	96-22
Sept.	—	96-01	96-01	95-28
Dec.	—	—	—	95-03
Mar.	—	—	—	94-12
June	—	—	—	—
Sept.	—	—	—	93-04

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar.	94.46	94.47	94.42	94.43
June	94.55	94.55	94.50	94.51
Sept.	94.57	94.57	94.54	94.54
Dec.	94.51	94.52	94.50	94.49

SWISS FRANC (IMM)
SFr125,000 $ per SFr

	Latest	High	Low	Prev.
Mar.	0.6485	0.6500	0.6483	0.6493
June	0.6528	0.6541	0.6524	0.6533
Sept.	0.6567	0.6575	0.6567	0.6572

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar.	0.6514	0.6517	0.6514	0.6513
June	0.6549	0.6553	0.6549	0.6549
Sept.	0.6587	0.6587	—	0.6586

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Mar.	0.5457	0.5466	0.5454	0.5464
June	0.5489	0.5499	0.5487	0.5464
Sep.	0.5520	0.5523	0.5520	0.5497

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar.	93.59	93.60	93.57	93.58
June	93.66	93.67	93.64	93.65
Sept.	93.65	93.65	93.63	93.64
Dec.	93.55	93.56	93.54	93.55
Mar.	93.40	93.41	93.39	93.40
June	93.20	93.22	93.19	93.21
Sept.	92.98	93.00	92.97	93.00
Dec.	92.76	92.78	92.75	92.78

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar.	286.80	287.40	284.40	284.10
June	288.45	289.00	286.00	285.75
Sept.	289.95	290.50	287.10	287.20
Dec.	291.50	292.00	—	288.50

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 30,582

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
Banque Belge Ltd	11	NFC Trust & Savings	11	Yorkshire Bank	11
Barclays Bank	11	● Hambro Bank	11		
Benchmark Tst Ltd	11	Heritable & Gen. Tst	11		
Beneficial Trust Ltd	12	● Hill Samuel	§11		
Berliner Bank AG	11	C. Hoare & Co	11		
Brit. Bk. of Mid. East	11	Hongkong & Shangh'	11		
● Brown Shipley	11	Lloyds Bank	11		
CL Bank Nederland	11	Mase Westpac Ltd	11		
Canada Permanent	11	Meghraj & Sons Ltd	11		
Cayzer Ltd	11	Midland Bank	11		
● Charterhouse Bank	11	● Morgan Grenfell	11		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6⅝% gross. ¶ Mortgage base rate. ♦ Demand deposit 6.69%. Mortgage 12¼%.

MONEY MARKETS

Rates fall again despite resistance

INTEREST RATES continued to fall in London yesterday despite reluctance from the authorities to sanction a decline. Traders in the London money market were now more convinced that clearing bank base rates would be cut in the next few days despite resistance from the Bank of England. Assistance to meet the day's shortage appeared to be well short of the published forecast but short term rates finished well below the day's highs. Overnight interbank money opened at 11¾-11⅝ per cent and eased to 11-10¾ per cent before touching a high of 14 per cent. However late balances were taken as low as 11 per cent. Discount houses appeared to be well supplied with funds, suggesting that the shortage was in the interbank market.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a shortage of around £350m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £514m and a rise in the note circulation a further £105m. These were partly offset by Exchequer transactions which added £230m and banks balances brought forward £40m above target.

The shortage was revised to £300m and the Bank gave assistance in the morning of £2m through outright purchases of £1m of eligible bank bills in band 2 at 10$\frac{13}{16}$ per cent and £1m in band 3 at 10¾ per cent.

The forecast was revised once more, this time to a shortage of around £250m and there was no help given by the authorities in the afternoon. Late help came to £85m, making a total of £87m.

In Frankfurt the Bundesbank accepted bids of DM14.9bn at its latest sale and repurchase tender at a fixed rate of 3.8 per cent over 34 days. Total bids came to DM28.6bn and successful applicants will be allocated the funds today. This coincides with a maturing agreement of DM16bn. Dealers were expecting a slightly smaller allocation than the expiring agreement because of the relatively high level of liquidity at the moment. However tax payments due later in the month may result in further intervention by the authorities.

Call money showed little overall change since liquidity levels remained adequate. Commercial banks held deposits of DM58.7bn with the Bundesbank on Monday compared with an expected minimum reserve requirement of around DM50bn for March.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar. 4) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 $\frac{3}{16}$	offer 6 $\frac{5}{16}$	bid 6 $\frac{3}{16}$	offer 6 $\frac{5}{16}$

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	7½	One month	5.38	Three year	6.50
Broker loan rate	7¼-7	Two month	5.57	Four year	6.63
Fed. funds	6	Three month	5.67	Five year	6.71
Fed funds at intervention	6⅛	Six month	5.77	Seven year	6.97
		One year	5.90	10 year	7.16
		Two year	6.30	30 year	7.47

Mar. 4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.80-3.95	3.95-4.10	3.90-4.05	3.95-4.10	3.95-4.10	5.0
Paris	7⅞-7$\frac{15}{16}$	7⅞-8⅛	7⅞-8⅛	7$\frac{15}{16}$-8$\frac{1}{16}$	8$\frac{1}{16}$-8$\frac{3}{16}$	8
Zurich	⅞-1⅛	4-4⅛	—	3$\frac{11}{16}$-3$\frac{13}{16}$	—	—
Amsterdam	5⅞-6⅛	5⅛-5⅜	—	5⅜-5½	—	—
Tokyo	4.09375	4.09375	—	—	—	—
Milan	11⅞-12	11½-12	—	11½-11⅞	—	—
Brussels	5.95	7$\frac{11}{16}$-7$\frac{13}{16}$	—	7$\frac{11}{16}$-7$\frac{13}{16}$	—	—
Dublin	14-14½	14¼-14½	14¼-14½	14¼-14½	13⅞-13¾	—

LONDON MONEY RATES

Mar. 4	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	14-10¾	11⅛-11⅛	11$\frac{1}{16}$-11	10$\frac{13}{16}$-10⅝	10⅜-10$\frac{5}{16}$	10$\frac{1}{16}$-10
Sterling CDs	—	—	10$\frac{15}{16}$-10⅞	10$\frac{9}{16}$-10$\frac{7}{16}$	10-9$\frac{15}{16}$	9$\frac{13}{16}$-9$\frac{13}{16}$
Local Authority Deposits	11⅛-11⅛	11$\frac{1}{16}$-11½	11-10$\frac{15}{16}$	10⅝-10$\frac{9}{16}$	10⅜	10$\frac{1}{16}$-10
Local Authority Bonds	—	—	11⅛	10⅝	10⅜	10⅛
Discount Market Deposits	11½-10	11¼	10⅞	10	—	—
Company Deposits	11½-10½	11⅛-11⅛	11¼-11⅛	10⅝	10⅛	10⅛
Finance House Deposits	—	—	11⅛	10½	10¼	10$\frac{1}{16}$
Treasury Bills (Buy)	—	—	10$\frac{13}{16}$	10$\frac{7}{16}$	—	—
Bank Bills (Buy)	—	—	10$\frac{13}{16}$	10$\frac{7}{16}$	9$\frac{13}{16}$	—
Fine Trade Bills (Buy)	—	—	11$\frac{1}{16}$	10⅝	10⅛	—
Dollar CDs	—	—	6.40-6.35	6.30-6.25	6.30-6.25	6.40-6.35
SDR Linked Deposits	—	—	6⅛-6⅛	6$\frac{1}{16}$-6$\frac{1}{16}$	6⅛-6	6$\frac{3}{16}$-6$\frac{1}{16}$
ECU Linked Deposits	—	—	7$\frac{5}{16}$-7$\frac{3}{16}$	7$\frac{5}{16}$-7$\frac{3}{16}$	7$\frac{5}{16}$-7$\frac{3}{16}$	7$\frac{5}{16}$-7$\frac{3}{16}$

Treasury Bills (sell); one-month 10⅝ per cent; three-months 10$\frac{5}{16}$ per cent; Bank Bills (sell): one-month 10$\frac{11}{16}$ per cent; three months 10 per cent; Treasury Bills; Average tender rate of discount 10.1969 p.c. ECGD Fixed Finance Scheme IV reference date January 31 to February 27 (inclusive): 10.896 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from March 1, 1987; Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9 per cent; one-three months 9 per cent; three-six months 9¼ per cent; six-nine months 9¼ per cent; nine-12 months 9¼ per cent; Under £100,000 9 per cent from February 20. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5 per cent.

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Business for Sale/Wanted	12.00	41.00
Personal	9.50	32.00
Motor Cars, Travel	9.50	32.00
Contracts, Tenders	12.00	41.00
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LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
"Shorts" (Lives up to Five Years)						
101¾	97½	Exch 10½pc 1987	99 xd	+	10.50	10.60
100	93¾	Funding 6½pc 85-87	99	+	6.53	9.91
101¼	96	Treas. 10pc 1987	99	+	10.01	10.23
98¼	90¾	Treas 3pc 1987	98	+	3.04	6.66
104½	99¾	Treas. 12pc 1987	101	+	11.85	9.86
99¼	92	Treas 7¾pc 1985-88‡‡	98¼	+	7.85	9.18
104	96¼	Exch 10½pc '88	100	+	10.40	9.60
102¾	95¼	Treas 9¾pc Cv '88	100	+	9.73	9.58
95¾	86¾	Transport 3pc '78-88	95¼	−	3.15	6.75
102½	93	Treas. 9½pc '88	99	+	9.53	9.66
107	98	Treas 11½pc 1989	103	+	11.12	9.56
103¼	93¼	Treas 9½pc Cnv 1989	99	+	9.53	9.45
92¼	82	Treas 3pc 1989	91	+	3.28	7.02
105	95	Treas 10½pc 1989	101¼	+	10.32	9.60
104	94¼	Exch 10pc 1989	100	+	9.92	9.61
107	97	Exch 11pc 1989	103¼ xd	+	10.66	9.56
93	84½	Treas 5pc 1986-89	92	+	5.39	8.00
110	94¾	Exch 10¼pcCv '89	104	+1⅛	9.82	8.40
114	103	Treas 13pc 1990‡‡	108	+	11.96	9.44
108¼	97¼	Exch 11pc 1990‡‡	103¼	+	10.60	9.48
113¼	101	Exch. 12½pc 1990	107¼ xd	+	11.60	9.51
89¾	79¾	Treas. 3pc 1990	88	−	3.40	7.20
100	89¼	Treas 8¼pc 1987-90‡‡	97¾	+	8.44	9.05
106	93	Treas. 10pcCv 1990	101¼	+	9.87	9.56
86	76½	Exch 2½pc 1990	85	−	2.92	6.92
112	99	Treas 11¼pc 1991	107	+	10.97	9.48
94¼	83	Funding 5¾pc '87-91‡‡	91 xd	+	6.32	8.41
86½	79	Treas. 3pc 1991	84¾	+¼	3.54	7.29
104	95	Treas 10pc Cv '91	104	+	9.56	8.71
110¾	96	Exch. 11pc 1991	105	+	10.43	9.51
118¼	103¾	Treas 12¾pc 1992‡‡	112¾	+	11.32	9.44
107¾	92	Treas 10pc 1992	102¾	+½	9.76	9.34
Five to Fifteen Years						
109¾	94	Treas 10½pc Cv 1992‡‡	104	+½	10.06	9.41
117¼	101	Exch. 12¼pc '92	111¾	+⅝	10.98	9.48
123¼	106¾	Exch 13½pc 1992	116 xd	+⅝	11.57	9.55
108	93	Treas 10pc 1993‡‡	102	+⅝	9.77	9.47
120¾	103½	Treas 12½pc 1993‡‡	113⅞	+½	10.97	9.53
92	78½	Funding 6pc 1993‡‡	87 xd	+	6.85	8.52
128¼	109	Treas 13¾pc 1993‡‡	120	+	11.44	9.59
133¾	113	Treas 14½pc 1994‡‡	124⅝	+⅝	11.62	9.54
127¼	108¼	Exch 13½pc 1994	119	+¾	11.29	9.64
102	97	Treas. 10pc Ln. 1994	102	+	9.73	9.45
122¼	103½	Exch. 12½pc 1994	115¼	+¾	10.86	9.60
104	86¾	Treas 9pc 1994‡‡	98	+⅝	9.17	9.33
120¼	101	Treas 12pc 1995	113¼	+1	10.60	9.56
79	68¼	Exch 3pc Gas 90-95	78¾	+½	3.82	6.42
110½	92¼	Exch. 10¼pc 1995	104⅝	+1	9.85	9.63
126¼	106	Treas 12¾pc 1995‡‡	118	+1	10.76	9.56
133¼	111	Treas. 14pc '96	125¼	+1	11.18	9.69
103¾	86	Treas 9pc 1992-96‡‡	97¾ xd	+⅝	9.20	9.34
142¾	119¼	Treas 15¼pc 1996‡‡	133	+1	11.42	9.64
130½	108¾	Exch 13¼pc 1996‡‡	122¾	+	10.84	9.57
84½	74¼	Redemption 3pc 1986-96	83 xd	+	3.58	5.34
106¾	90	Conversion 10pc 1996	102	+1⅛	9.73	9.54
131¼	108	Treas 13¼pc 1997‡‡	123	+1¼	10.78	9.59
112¼	93½	Exch 10½pc 1997	106	+1¼	9.89	9.52
101⅝	84	Treas 8¾pc 1997‡‡	95¼	+¾	9.16	9.41
143	118	Exch 15pc 1997	133½	+	11.23	9.82
107¾	89	Exch. 9¾pc 1998	101¾	+	9.63	9.55
88¾	72¾	Treas 6¾pc 1995-98‡‡	83	+¾	8.09	9.15
148⅞	123	Treas. 15½pc '98‡‡	139 xd	+1	11.13	9.75
124¼	102	Exch. 12pc 1998	116¼	+1	10.33	9.66
107¼	88¾	Treas 9½pc 1999‡‡	100¼	+1	9.44	9.40
126½	104	Exch. 12¼pc 1999	118¼ xd	+¾	10.44	9.65
114	94	Treas. 10½pc 1999	107	+¾	9.85	9.56
112	92	Conversion 10¼pc 1999	105	+¾	9.77	9.56
103⅝	85¼	Conversion 9pc 2000‡‡	97¼	+1	9.28	9.41
133½	110	Treas. 13pc 2000	124⅝	+1	10.45	9.69
111¼	91	Treas 10pc 2001	104	+	9.62	9.48
137¼	114¼	Treas. 14pc '98-01	128½	+1¼	10.90	9.77
109¾	89¾	Conversion 9¾pc 2001	102	+	9.55	9.48
124⅝	102	Exch. 12pc '99-02	116	+1	10.32	9.66
Over Fifteen Years						
111¼	91¾	Conversion 10pc 2002	104⅝	+1¼	9.60	9.46
109¾	89¾	Treas 9¾pc 2002	102¼	+1¼	9.53	9.46
21¼	20	Exch. 9pc 2002 (£20pd)	21⅛	......	9.28	9.37
139	114	Treas. 13¾pc 2000-03	130	+1¼	10.16	9.73
112¾	91¾	Treas 10pc 2003	104 xd	+1¼	9.57	9.45
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INDUSTRIALS—Continued

[illegible]

For Celtic Haven see West Industries

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
339	210	Morgan Crucible	326		†8.5	1.5	3.7	21.7
24	15½	‡Morris (W) F.A. 20p	22	−½	—	—	—	—
194	65	Myson Grp 10p	193	−1	†2.63	2.6	1.9	24.9
365	213	‡NMW Computers	300		†6.0	3.0	2.8	17.3
225	27	Nash Inds	188	−7	1.5	2.6	1.1	47.7
*27½	12½	Neil & Spencer 10p	18½		—	—	—	—
47	28	Newman Inds 10p	43	−1	†0.8	1.5	2.6	(32.9)
134	65	Noble & Lund 10p	92	+2	0.7	4.3	1.1	30.3
164	151	Nobo Group 10p	164	+1	84.75	2.8	4.1	12.5
65	39	Nolton	50		1.2	2.9	3.4	14.3
166	96	‡Norank Systems 5p	158		m1.5	—	1.3	20.3
351	187	Norcros	324	−1	†9.3	2.3	4.0	14.8
293	49	Nu-Swift 5p	293	+9	†3.5	2.1	1.7	39.4
£366½	£228	OCE 9pc Cnv 1987-92	£257½		Q9%	—	Q3.5	—
143	80	Oakwood Grp	140	−1	4.0	0.6	4.0	53.8
259	173	Office & Elect	204	+1	8.5	2.9	5.9	8.3
45	26	‡Omnitech 1p	45	+1	—	—	—	—
36	18	‡Optometrics $0.01	21		—	—	—	—
890	500	Oriflame £1	860		Q28.5	2.1	4.7	16.7
10	5	Ovenstone 12½c	7½		g03.23d	1.9	13.4	3.9
359	85	‡PCT Grp 10p	190		d3.2	—	4.4	—
£22⅞	£15⅝	PLM 'B' Sk 25	£21¼	−½	Q24%	♦	2.9	♦
255	160	‡Pacer Systems $0.07	181	+2		4.3	1.4	16.8
242	97	Pacific Dunlop $0.5	223	−1		2.1	2.2	22.4
78	41	‡Pacific Sales 10p	68		3.0	1.4	6.2	16.2
542	245	Parker Knoll 'A'	530		12.0	3.2	3.1	14.1
260	83	‡Parkfield Group 2p	258	+9	†3.6	4.2	2.0	16.4
53	17	‡Pavion Intl	29		—	—	—	7.7
£130	£64½	Do 11pc CvLn '94-02	£95½		Q11%	—	Q12.2	—
617	393	Pearson	568	+1	†10.0	2.8	2.5	18.1
74½	12	Peek Holdings 3p	73	+1	—	—	—	—
176	88	Peerless	175d		†6.3	2.0	5.1	(11.9)
625	141½	Pentland 10p	620	−3	†0.75	22.4	0.2	35.1
£34	775	Photo-Me	£27¼		†5.75	11.7	0.7	16.0
792	315	Pilkington Br. £1	785		F22.0	2.3	3.9	(12.5)
378	68	Do. Warrants	378	+5	—	—	—	—

LEISURE—Continued

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
93½	32	Leisure Inv 10p	91	−2	0.36	7.4	0.5
*112	55	Leisuretime Int 10p	80		†2.3	0.9	3.7
123	91	‡Lowmar	105		u2.63	3.4	3.5
126	71	‡Marina Dev. 50p	126	+1	♦R3.13	3.0	3.5
196	143	Mecca Leisure 10p	188	+1	L4.1	1.8	3.1
220	86	‡Media Tech Int 20p	133		2.8	4.5	3.0
*215	130	Medminster 10p	198		†6.25	1.9	4.5
232	114	Midsummer Leis 50p	220	−5	4.0	3.9	2.6
220	130	‡Miss World 10p	209	+1	6.0	♦	4.3
90	62	Nationwide Leisure	76		♦	—	4.6
17	8	‡Nimslo Int 20c	10		—	—	—
94	23	Omnicorp Inv. NZ$0.5	56		Q0.5c	8.0	0.3
294	114	Orient Ex Hlds $0.125	176		—	—	—
57½	29	‡Owners Abroad 3p	57½		1.5	2.3	3.7
175	46	Photax (Lon.)	135	−40	—	—	—
73	25½	‡P'dilly Radio NV 5p	65xd	+2	2.0	1.4	4.4
95	25½	‡Pineapple 10p	90	+2	—	—	—
391	280	Pleasurama 5p	362	+4	†7.5	3.6	2.9
178	136	Do. 7pcCvCmRedPf	164xd	+2	7%	—	6.0
157	94	Prestwich	137	−2	0.85	6.9	0.9
93	18	‡Radio City 'A' NV	85	+4	—	—	—
88	33	‡Radio Clyde NV	68		3.5	1.6	7.2
480	322	Really Useful Grp 5p	478	+2	11.25	2.2	3.3
70½	36½	Riley Leisure 10p	62½	−½	—	—	—
230	129	Saga Hols. 20p	164		4.6	2.6	4.0
355	148	Samuelson Grp 20p	185xd		2.9	6.5	1.8
123	69	‡Sangers Photo 10p	101		♦†2.2	1.5	3.1
178	93	Scaoro 20p	178	−3	u4.0	3.5	4.8
446	175	Scott. TV 10p	440		†10.5	3.3	3.4
27	7	‡SelecTV 10p	17	−½	—	—	—
37	19	‡Spectrum 5p	21		—	—	—
310	119	Stanley Leisure	309	+1	u3.25	2.8	1.5
68	31	TSW 5p	66		2.05	2.6	4.4
319	137	‡TV-am 10p	308	+6	R5.75	2.6	2.6
*369	144	TVS N/Vtg 10p	369	+11	10.0	♦	3.8
188	59	‡Television Svcs 50p	79		†2.0	2.9	3.6
426	219	Thames TV	426	+15	u9.5	1.9	3.1

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

PROPERTY

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

IRISH

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 9	Feb 19	Feb 20	Mar 2
Feb 23	Mar 5	Mar 6	Mar 16
Mar 9	Mar 19	Mar 20	Mar 30

* New time dealings may take place from 9.00 am two business days earlier.

FT-SE index clears 2,000 as oils lead equities to new peaks and Gilts surge

Rising prices for crude oil, which buttressed sterling, and therefore the City's hopes of early cuts in domestic interest rates, drove London's equity market above the FT-SE index 2,000 mark yesterday.

Although share price gains were sharply cut back by profit-taking, the market's tone was extremely firm, with strong institutional demand for oil stocks setting the pace.

In the gilt-edged sector, the £1bn tap stock was fully bought out in its first trading session, indicating the market's confidence that cuts in bank base rates cannot be long delayed, despite the authorities' apparent wish to postpone them until after Budget Day.

In the stock market, the FT-SE 100 index surged through the 2,000 mark within the first 30 minutes as oil stocks jumped sharply on overnight orders from the US. At mid-session, the index was more than 23 points up at 2021.5, before profit-takers moved in.

But by the close, the FT-SE 100 showed a net gain of only 4.4 at 2002.7. London was unable to respond to a firm start on Wall Street, but traders showed no lack of optimism. Profit-taking was comfortably absorbed, and international buyers continued to chase their favoured stocks. The FT Ordinary Index shed 1.1 to 1612.4.

Traders commented that profit-taking was expected as the market approached Friday's closure of a highly successful trading account, and looked for a renewed upsurge late today when business opens for the next account, which spans Budget Day.

Company results—actual and pending—played a significant role. Midland Bank surged higher on excellent profits—together with the absence of the threatened rights issue. Consolidated Goldfields, with better than expected figures, figured prominently, and Shell rose strongly ahead of today's trading statement.

However, both General Accident and Commercial Union ran into profit-taking after disclosing the year's profit figures. Unilever Plc continued to respond favourably to the annual profits, although some switching into the NV shares was again reported.

Government bonds ended with gains of more than one point, reducing the yield on long dates to 9.4 per cent. The renewed strength of the pound brought buyers in across the full range, with domestic buyers taking over the lead from the overseas cohorts at mid-session.

The £1bn tap stock, announced only this week, and widely regarded as an attempt by the authorities to damp down the market, was assaulted as soon at is entered the market at 9.30 am, and was fully sold by 3.30 pm. Only £200m was taken out of the market by the stock, which was partly-paid at £20, but the market's vigorous response was "very bullish," commented a leading marketmaker. The sector is now untapped, and since it will be difficult for the authorities to introduce another tap ahead of the Budget, bond prices face a bullish prospect for the next week.

Midland reflected relief that the good preliminary figures—pre-tax profits up over 23 per cent to £434m—was not accompanied by the widely-rumoured rights issue and moved forward sharply to close the session 13 higher at 632p following a turnover of over 3m shares. Other clearers gained ground in sympathy. NatWest, the first UK bank to break the £1bn profits barrier, jumped 28 to 624p. Lloyds firmed 9 to 499p and Barclays rose 7 to 524p. Elsewhere, the prospect of cheaper money after the Budget helped Hire Purchases. Renewed speculative buying lifted First National Finance Corporation 8 to 251p, while Provident Financial improved 13 to 353p on further consideration of the preliminary figures.

Commercial Union were marked up to 348p bid in initial response to the better-than-expected annual results—pre-tax profits leapt to £119.1m against recent optimistic analysts' forecasts of around £115m—before reacting sharply on profit-taking following an analysts' meeting held later to discuss the figures and eventually closed 9½ down on balance at 330p following a turnover of well over 10m shares. General Accident, meanwhile, reported preliminary figures at the lower end of expectations and dropped ¼ to £10¼. GRE gave up 32 at 925p and Royals relinquished $\frac{3}{16}$ to £10¼.

Estate agents John D. Wood staged a successful USM debut; the shares, placed at 144p, opened at 170p and advanced to 190p prior to closing at 188p, a first-day premium of 44.

Further selective support was forthcoming for Breweries on hopes that the sector will be left relatively unscathed after the Budget. Demand persisted for *Bass, up 10 more at 933p, while* Whitbread A improved 2 to 327p and Allied Lyons a similar amount to 384p. Among regionals, Vaux were noteworthy for a fresh rise of 8 at 590p, Ladbroke stated yesterday it had "no interest in bidding for the company."

Early gains in the Buildings sector were slowly eroded and the leaders closed little changed on balance. RMC, however, continued to attract buyers and rose 28 more to 824p, but Blue Circle, in which Adelaide Steamship of Australia recently reduced its stake, slipped 7 to 698p. Barratt Developments, results due soon, added 3 to 183p and AMEC hardened 3 to 323p. Secondary issues featured brick concern Ibstock Johnsen which spurted 14 to 250p on news that Mr Peter Woodman, had been appointed managing director. Polypipe softened a couple of pence to 236p; the company's chairman, Mr Kevin McDonald, has disposed of 4m shares at 230½p per share, reducing his holding to 36.8 per cent. Profit-taking clipped 12 from recently-firm Federated Housing at 196p; the annual results are due next Tuesday. Among Timbers, Magnet and Southerns found support and firmed 6 to 304p.

ICI shed $\frac{3}{16}$ to £13¾ on currency influences. Elsewhere in the Chemical sector, Blagden added 5 more to 175p in further response to the results, while Reabrook gained 11 to 151p on news that Yule Catto had increased its stake in the company to 18.4 per cent.

The prospect of a bumper budget kept buyers interested in leading retailers. Storehouse, additionally boosted by a BZW *"buy" recommendation*, closed 7 higher at 302p, while Next firmed 9 afresh to 305p ahead of next Thursday's interim figures. Burton gained 4 at 292p and Gussies "A" rose $\frac{3}{16}$ to £13¼. Elsewhere, Underwoods, the multiple retail chemist, advanced 13 to 231p on hopes of an eventual bid from Woolworths, 7 dearer at 772p. Alfred Preedy, recently the subject of fairly heavy call option activity, leapt 27 to 189p on vague takeover rumours. Martin Ford reflected revived speculation buying and call option business with a rise of 8 to 67p, while improvements of 11 and 12 respectively were seen in W. H. Smith "A", 327p, and Freemans, 455p. E. Upton "A" advanced 8 to 46p and Aquascutum rose 10 to 230p. Combined English, however, provided a late dull feature, falling 16 to 270p, after 269p on the board's revelation that it had declined a merger invitation from Ratners, 5 better at 320p. Among Shoe concerns, old speculative favourite Streng and Fisher rose 14 to 218p ahead of next Monday's interim figures.

Despite bullish comment on the excellent results, STC succumbed to profit-taking and at 263p, lost 14 of the previous day's gain of 35. Among the other quietly easier Electrical majors, Cable and Wireless continued to reflect recent adverse comment with a fall of 7 to 354p. Elsewhere, Instem dropped 17 to 145p on acute disappointment with the lower annual earnings, but Macro 4 rose 7 to 275p in response to the interim results. Wayne Kerr hardened a couple of pence to 81p on an investment recommendation and renewed speculative buying lifted BSR 5 to 122p and Crystalate 7 to 298p. MK jumped 16 to 427p, while Microfocus, at 135p, and Security Tag Systems, at 138p, rose 15 apiece.

Leading Engineers were inclined easier, with GKN, preliminary figures scheduled to be revealed next Wednesday, closing a few pence lower at 341p. Among the secondary issues, Hall Engineering moved up 10 to 268p, while buying interest revived in Birmingham Mint, which put on 7 to 258p. TI, awaiting today's preliminary statement, edged up 4 more to 653p. Manganese Bronze, recently good on takeover hopes, ran into profit-taking in the early dealings, but recovered to close 2 firmer on the day at 143p. Further consideration of the company's statement on the recent upward movement in its share price, prompted a reaction of 7 to 96p in Downiebrae.

Among Foods, S. & W. Berisford attracted considerable speculative support following Press comment and rose 18 to 308p, but recently-firm Hillsdown Holdings slipped 4 to 294p. Tate and Lyle drifted back to close 13 down at 767p and Cadbury Schweppes eased 2½ to 256p. Among Retailers, Argyll continued to attract buyers and firmed 5 more to 398p, but Bejam shed 7 to 184p following profit-taking. Recently-overlooked Kwik Save picked up 2 at 286p. Elsewhere, Nichols touched 260p prior to closing 16½ higher at 255p following the good annual results, while Tavener Rutledge gained 13 to 96p in reply to the better-than-expected preliminary figures; A. G. Barr, a major shareholder in Tavener, rose 10 to 465p in sympathy. Barker and Dobson put on 8 to 183p in response to the full-year figures.

Trusthouse Forte closed 3 dearer at 216p, after 218p on the Monopolies Commission go-ahead for the £190m acquisition of Hanson Trust's motorway restaurant interests. Kennedy Brookes encountered profit-taking and shed 11 to 330p.

Partly reflecting the absence of overseas interest, international stocks passed a relatively quiet trading session. Glaxo settled a little cheaper at £15¼, but Beecham attracted some domestic buying interest and eventually closed 8 to the good at 551p. Unilever, still responding to the preliminary figures, gained ⅛ more to £26½, with the NV shares ½ higher at £97½. Comment on the annual results prompted a rally of 12 to 639p in Fisons. Among the anti/Aids related stocks, Wellcome came in for yet another round of profit-taking and gave up 17 more to 423p. London International drifted off to close 6 cheaper at 330p and Smith and Nephew ended a similar amount lower at 157p. Elsewhere, demand persisted for Avon Rubber, up 21 further at 586p, while interest revived in British Vita which put on 9 to 395p. Task Force, still reflecting the recent preliminary figures, advanced 10 to 155p. Acquisition news left Scott Greenham 3 better at 185p while an investment recommendation directed buying attention to Expamet which closed 14 to the good at 235p. Transport Development were also noteworthy for a gain of 12 at 258p, but profit-taking after the annual results left Hawley a few pence cheaper at 145p.

Jaguar traded quietly awaiting today's annual results and settled 4 cheaper at 611p. Lex Service, on the other hand, rose 10 to 349p awaiting today's preliminary figures. Recently-overlooked Dowty revived with a gain of 10 at 275p. Perry Group rose 8 to 208p on reports of speculative buying, but Godfrey Davis shed 8 to 167p

Delyn Packaging jumped 60 more making a gain of £1 on the week so far at 375p on further consideration of the board reorganisation. Saatchi gained 9 to 899p following the proposed share issue and in the wake of the annual general meeting. Among Newspapers, News International continued to draw strength from recent comment with a fresh leap of 1¼ points to £28¼. Associated Newspapers fell 9 to 491p as the London evening newspaper circulation/price war intensified.

The Property leaders traded quietly and closed with small irregular movements. MEPC drifted off to close 3 cheaper at 343p, but Land Securities held up well at 359p. Elsewhere, Frogmore firmed 8 to 248p following comment on the results, but St Modwen encountered profit-taking in the wake of the preliminary statement and dipped to 27p prior to closing 1½ off at 29½p. Demand in restricted markets lifted Property Partnerships 12 to 425p and UK Land 15 to 348p. Marler Estates remained unsettled and shed 10 more to 890p.

Another sharp rise in crude oil prices, following strong gains in oil futures in the US overnight, triggered a fresh round of heavy gains throughout the oil sector.

British Gas touched a peak 83p before *easing to close a penny off* on balance at 81½ following a turnover of 32m shares. BP raced ahead in early dealings with US and London buyers scrambling to buy in a market short of stock; up to 805p at one point the share price subsequently settled a net 25 higher at 800p after a turnover of 13m shares. Shell, reporting fourth quarter figures today, put on $\frac{3}{16}$ to £11$\frac{3}{16}$ on a turnover of 7.6m shares while a turnover of 14m shares in Britoil left the share price 7½ up at 190½p, after 193½p. Enterprise Oil were exceptionally strong and jumped 11 to 215p. LASMO rose 8 to 198p, after 200p. Ultramar put on 3 more to 185p, still helped by the sale of its UK oil marketing arm to Kuwait Petroleum International for £50m. Profit-taking left IC Gas off at 703p but Burmah continued to attract good interest and moved up 11 to 485p.

Bumper half-year results from Consolidated Gold Fields, a firm performance by precious metals and a resumption of the recent strong showing by Sydney and Melbourne markets gave a substantial boost to mining markets.

Consolidated Gold Fields held pride of place in the sector with the shares racing up 49 to a record 81p in the wake of the much-better-than-expected interim profits, the increased dividend and the chairman's indication of bright prospects for the second haf. Dealers reported good US interest in the stock.

South African mining sectors made rapid progress from the outset. Heavily bought in the US overnight Golds moved up sharply in London, boosted by the strength of bullion and a follow-through of American buying before slipping back a shade late in the session. Profit-taking from South African and Continental sources was readily absorbed and the Gold Mines index jumped 14.3 to 339.5, its highest level since the end of September last year.

The Australian market's latest advance to record levels triggered renewed demand for Golds where Gold Mines of Kalgoorlie jumped 60 to 945p and Pancontinental 8 to 137p. Central Norseman added 10 to 633p, as did Whim Creek, 303p.

Traded Options

A reduced overall business in the Traded Options market saw 56,073 deals arranged, comprising 45,088 calls and 10,985 puts. British Gas were again well to the fore with 5,012 calls done—1,344 in the April 80s—while 1,095 puts were arranged. Consolidated Gold Fields attracted 2,685 calls in the wake of the excellent results and Marks and Spencer had 2,250 calls struck—1,225 in the April 220s. Yesterday saw the traded option debut of Sear and here 2,381 calls and 495 puts were done.

Traditional Options

- First dealings March 2
- Last dealings March 13
- Last declaration June 11
- For Settlement June 22

For rate indications see end of Unit Trust Service

Call options were taken out in British Gas, Fisons, Underwoods, CI Group, Atlantic Resources, Bula Resources, Benlox, Dares Estates, Martin Ford, Virgin, Greene King, Elswick, Premier Consolidated, Stormguard, Micro Focus, Crown TV, Hawley, Norfolk Capital, Stone International, Hawthorn Leslie, Burton Group, Pavion, Times Veneer, Greenwich Resources, Brent Walker, Talbex, Bristol, Eglinton, Wellcome, Palma Group, British Benzol, Ryan International, Cadbury Schweppes, Guinness Peat, Amstrad, Hillards, Property Trust, Mitchell Cotts, Rotaprint, St Modwen and Aran Energy. Puts were arranged in CI Group, Dares Estates, Ultramar and Times Veneer, while double options were transacted in Blacks Leisure, Capital Radio and Norfolk Capital.

FINANCIAL TIMES STOCK INDICES

	Mar. 4	Mar. 3	Mar. 2	Feb. 27	Feb. 26	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	88.72	88.21	88.39	87.96	87.62	86.16	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.83	93.74	93.81	93.52	93.32	90.57	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,612.4	1,613.5	1,604.5	1,599.8	1,601.7	1,301.3	1,613.5 (3/3/87)	1,094.3 (14/1/86)	1,613.5 (3/3/87)	49.4 (26/6/40)
Gold Mines	339.5	325.2	324.7	329.8	321.0	337.8	339.5 (4/3/87)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.61	3.60	3.62	3.62	3.61	4.10				
Earnings Yld.%(full)	8.42	8.42	8.47	8.47	8.31	9.92				
P/E Ratio (net) (*)	14.56	14.55	14.48	14.47	14.76	12.48				
SEAQ Bargains (5 pm)	52,461	46,347	52,617	46,040	50,616	—				
Equity Turnover (£m)	—	1,383.86	1,390.06	1,498.82	1,891.13	855.12				
Equity Bargains	—	61,102	64,869	58,230	65,068	33,881				
Shares Traded (ml)	—	612.4	574.1	585.0	706.3	363.3				

S.E. ACTIVITY

Indices	Mar. 3	Mar. 2
Gilt Edged Bargains	160.8	174.3
Equity Bargains	395.9	420.3
Equity Value	2797.1	2809.7
5-Day Average		
Gilt Edged Bargains	178.0	187.4
Equity Bargains	404.9	402.3
Equity Value	3120.8	3129.1

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1625.1	1618.0	1625.2	1620.5	1613.0	1613.7	1615.4	1614.7

Day's High 1625.7. Day's Low 1611.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=14.02.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (256)

BRITISH FUNDS (4), CANADIANS (3), BANKS (6), BREWERS (5), BUILDINGS (23), CHEMICALS (10), STORES (15), ELECTRICALS (10), ENGINEERING (19), FOODS (6), HOTELS (1), INDUSTRIALS (34), INSURANCE (1), LEISURE (6), MOTORS (7), NEWSPAPERS (2), PAPER (9), PROPERTY (9), SHIPPING (3), SHOES (1), TEXTILES (5), TRUSTS (59), OILS (5), OVERSEAS TRADERS (1), PLANTATIONS (1), MINES (11).

NEW LOWS (1)

BANKS (1) McCorp.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	5,900	155	−5
Allied Lyons	4,100	384	+4
Amstrad	4,800	187	−6
Assoc. Brit. Foods	1,000	348	—
BAT	4,000	535	−6
BET	720	525	+2
BOC	1,350	465	−2
BPB Inds	308	666	+5
BPCC	967	323	−10
BTR	4,400	399	+2
Barclays	2,200	524	+7
Bass	1,100	933	+10
Beecham	3,100	551	+8
Blue Circle	1,000	698	−7
Boots	8,900	327	+1
Brit. Airways	20,900	112	—
Brit. Aero	2,300	665	—
Brit. Gas	32,000	81½	−1
Britoil	14,000	190½	+7½
BP	13,000	800	+25
Brit. Telecom	10,000	253	−1
Bunzl	853	231	−3
Burton	4,900	292	+4
Cable & Wire	7,400	354	−7
Cadbury Schwps	2,900	256	−2½
Coats Viyella	852	576	+7
Comm. Union	10,000	330	−9½
Cons. Gold	3,300	831	+49
Cookson	579	578	+1
Courtaulds	1,200	411	−3
Dee Corpn	6,100	243	−10
Dixons Grp	7,100	390	−4
English China Clays	1,000	411	+5
Fisons	2,800	639	+12½
Gen. Accident	798	£10¼	−¼
Gen. Elect	8,300	228	−2
Glaxo	3,400	£15¼	−⅛
Globe Investment	1,500	151	—
Granada	2,800	350	+4
Grand Met	3,400	517	+2
Gus "A"	605	£13¼	+$\frac{3}{16}$
Guardian R.E.	349	925	−32
GKN	2,700	341	−2
Guinness	3,200	323	−3
Hammerson Prop	101	465	−5
Hanson Trust	15,000	168	+1½
Hawker Sidd	697	931	−4
Hillsdown Hlgs	4,600	291	−7
ICI	2,200	£13¾	−$\frac{3}{16}$
Imp. Cont. Gas	6,700	703	−7
Jaguar	1,800	611	−4

Stock	Volume 000's	Closing price	Day's change
Ladbroke	2,700	442	[illegible]
Land Securities	740	359	[illegible]
Legal & Gen.	1,700	298	[illegible]
Lloyds Bank	2,200	499	[illegible]
Lonrho	2,100	282	[illegible]
MEPC	2,400	343	[illegible]
Marks & Spncr	11,000	225	[illegible]
Midland Bank	5,100	632	[illegible]
NatWest Bank	4,400	624	[illegible]
Pearson	442	556	[illegible]
P & O	1,900	641	[illegible]
Pilkington Bros	978	785	[illegible]
Plessey	3,200	248	[illegible]
Prudential	575	938	[illegible]
Racal	9,800	245	[illegible]
Rank Org.	795	684	[illegible]
RHM	908	313	[illegible]
Reckitt & Col	406	£10⅛	[illegible]
Redland	685	474	[illegible]
Reed Intl.	998	408	[illegible]
Reuters	1,090	674	[illegible]
RMC	214	824	[illegible]
RTZ	3,600	734	[illegible]
Rowntree Mac	5,500	495	[illegible]
Ryl Bnk of Scotland	1,300	316	[illegible]
Royal Insurance	745	£10¼	[illegible]
STC	24,000	263	[illegible]
Saatchi & Saatchi	2,200	899	[illegible]
Sainsbury	1,400	486	[illegible]
Scott & Newcastle	2,300	244	[illegible]
Sears	15,000	143¼	[illegible]
Sedgwick	1,300	317	[illegible]
Shell Trans	7,450	£11$\frac{3}{16}$	[illegible]
Smith & Nephew	4,900	157	[illegible]
Standard Chart	74	764	[illegible]
Storehouse	7,100	302	[illegible]
Sun Alliance	398	784	[illegible]
TSB	3,100	79	[illegible]
Tarmac	591	556	[illegible]
Tesco	1,900	478	[illegible]
Thorn EMI	2,600	637	[illegible]
Trafalgar House	1,300	329	[illegible]
T'house Forte	11,000	216	[illegible]
Unigate	1,200	390	[illegible]
Unilever	1,200	£26½	[illegible]
United Biscuits	2,500	276	[illegible]
Wellcome	3,200	423	[illegible]
Whitbread 'A'	3,700	327	[illegible]
Willis Faber	100	442	[illegible]
Woolworth	393	772	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	103	3	[illegible]
Corporations, Dominion and Foreign Bonds	15	13	[illegible]
Industrials	585	421	[illegible]
Financial and Properties	230	106	[illegible]
Oils	49	14	[illegible]
Plantations	4	2	[illegible]
Mines	89	18	[illegible]
Others	61	71	[illegible]
Totals	1,136	648	1,015

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Mar 4 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues March 3 Index No.	Mon March 2 Index No.	Fri Feb 27 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (208)	866.37	+0.1	7.36	3.09	17.28	1.40	865.57	861.25	854.99	684.09
2	Building Materials (27)	1044.46	+0.7	7.48	3.12	16.78	0.72	1037.58	1037.67	1027.75	721.05
3	Contracting, Construction (28)	1468.91	+0.9	6.67	3.21	20.63	1.72	1455.48	1453.63	1429.60	1049.14
4	Electricals (12)	2039.27	−0.1	7.39	3.85	17.37	1.39	2040.85	2051.41	2052.87	1841.64
5	Electronics (38)	1997.47	−0.8	7.45	2.24	17.74	6.13	2013.38	1993.77	1982.65	1712.82
6	Mechanical Engineering (61)	483.02	+0.2	8.33	3.46	15.33	0.76	482.13	476.12	475.01	383.22
8	Metals and Metal Forming (7)	448.96	+1.1	8.07	3.32	15.05	0.00	444.12	443.06	441.55	296.27
9	Motors (15)	334.61	−0.5	8.25	3.14	13.98	0.00	336.37	337.55	334.15	271.81
10	Other Industrial Materials (20)	1474.73	+0.4	6.85	3.71	19.74	2.64	1469.12	1463.87	1451.95	1224.96
21	CONSUMER GROUP (186)	1181.23	−0.1	6.19	2.69	20.78	2.33	1182.16	1173.75	1173.79	858.76
22	Brewers and Distillers (22)	1100.69	+0.4	7.77	3.15	16.19	3.55	1096.57	1088.77	1082.47	858.54
25	Food Manufacturing (25)	895.45	−0.4	7.48	3.20	17.56	1.30	899.02	887.47	877.95	623.62
26	Food Retailing (16)	2145.63	−0.7	5.88	2.58	23.62	9.65	2161.70	2150.73	2139.07	1862.49
27	Health and Household Products (10)	2333.45	−0.8	4.07	1.64	28.48	0.28	2351.40	2371.44	2415.15	1457.96
29	Leisure (31)	1200.86	+0.4	6.30	3.46	20.91	8.19	1195.64	1185.01	1186.16	874.54
31	Packaging & Paper (14)	601.53	−0.5	5.88	2.78	22.09	0.38	604.79	600.83	603.00	430.42
32	Publishing & Printing (14)	3516.06	−1.1	5.78	3.24	22.26	3.41	3553.50	3555.48	3570.28	2174.39
34	Stores (37)	1012.54	+0.9	6.33	2.68	21.47	1.25	1003.26	979.93	974.17	809.34
35	Textiles (17)	680.59	+0.3	7.67	2.98	15.01	0.17	678.38	681.13	679.08	479.05
40	OTHER GROUPS (88)	978.99	−0.2	8.07	3.44	15.37	1.67	981.13	975.62	974.49	816.29
41	Agencies (17)	1366.59	+1.0	4.60	1.81	29.41	3.33	1353.28	1348.88	1342.05	0.0
42	Chemicals (21)	1269.53	−1.0	7.77	3.45	15.71	2.85	1281.78	1283.80	1283.09	914.91
43	Conglomerates (13)	1278.99	+0.8	6.85	3.42	17.28	2.00	1269.39	1262.51	1254.77	0.0
45	Shipping and Transport (11)	1958.83	+1.0	6.85	4.86	17.68	0.00	1939.69	1930.50	1928.50	1584.94
47	Telephone Networks (2)	983.48	−0.7	9.51	3.92	14.34	1.09	990.35	974.20	974.79	981.80
48	Miscellaneous (24)	1327.43	−0.5	9.16	3.17	12.30	3.23	1333.44	1334.14	1335.67	984.73
49	INDUSTRIAL GROUP (482)	1057.33	−0.1	6.99	2.99	18.12	1.92	1058.10	1051.56	1049.34	812.08
51	Oil & Gas (18)	1685.63	+2.3	10.06	5.12	12.56	19.18	1647.43	1615.95	1610.20	1123.24
59	500 SHARE INDEX (500)	1109.88	+0.2	7.40	3.28	17.11	3.43	1107.22	1098.50	1095.97	840.24
61	FINANCIAL GROUP (117)	687.57	+0.1	—	4.18	—	0.57	686.61	685.79	681.09	572.55
62	Banks (8)	739.77	+2.1	17.88	5.15	7.68	0.69	724.72	721.29	715.49	581.10
65	Insurance (Life) (9)	992.46	−0.4	—	3.91	—	0.00	996.76	996.00	980.41	865.49
66	Insurance (Composite) (7)	556.79	−2.4	—	4.09	—	0.00	570.73	571.05	564.31	463.13
67	Insurance (Brokers) (9)	1184.10	−1.1	8.14	4.47	15.99	1.58	1196.85	1205.08	1215.50	1242.01
68	Merchant Banks (11)	381.59	−0.2	—	3.02	—	0.02	382.23	383.16	382.06	336.10
69	Property (47)	873.77	—	5.50	3.38	23.70	0.75	873.78	874.91	877.38	727.88
70	Other Financial (26)	435.01	+0.4	7.40	3.52	17.27	1.47	433.33	431.33	427.58	328.32
71	Investment Trusts (96)	971.76	+0.4	—	2.40	—	2.12	967.66	965.67	958.57	698.85
81	Mining Finance (2)	383.31	+3.2	7.99	4.19	14.71	0.00	371.49	374.56	375.45	282.27
91	Overseas Traders (12)	891.69	−0.1	9.28	5.03	13.17	10.04	892.35	893.08	886.49	646.27
99	ALL-SHARE INDEX (727)	995.21	+0.3	—	3.40	—	2.73	992.61	986.25	983.12	762.12

	Index No.	Day's Change	Day's High	Day's Low	March 3	Mar 2	Feb 27	Feb 26	Feb 25	Year ago
FT-SE 100 SHARE INDEX ‡	2002.7	+4.4	2021.5	2001.8	1998.3	1983.1	1979.2	1980.2	1973.1	1569.1

FIXED INTEREST

	PRICE INDICES	Wed March 4	Day's change %	Tues March 3	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.01	+0.26	122.69	—	1.74
2	5-15 years	140.86	+0.83	139.70	—	2.55

	AVERAGE GROSS REDEMPTION YIELDS		Wed March 4	Tues March 3	Year ago (approx.)
	British Government				
1	Low	5 years	8.47	8.52	9.30
2	Coupons	15 years	9.23	9.35	9.58
3		25 years	9.24	9.36	9.59
4	Medium	5 years	9.45	9.60	10.47
5	Coupons	15 years	9.44	9.58	9.94
6		25 years	9.44	9.58	9.70

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Allied Lyons (*384)	300	92	97	105	1	1½	2
	330	62	72	82	1	6	8
	360	36	47	60	6	13	16
	390	18	32	40	23	25	32
Brit. Airways (*111)	90	24	27	30	1	2½	3½
	100	15	20	23	2	6	8
	110	8	12½	17	5	10½	13

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Guinness (*324)	280	57	70	82	3	12	13
	300	45	61	68	13	22	27
	330	27	42	50	25	35	40
	360	11	25	—	45	47	—
Ladbroke (*451)	360	93	105	—	1	3	—
	390	63	80	—	3	8	—
	420	45	57	72	15	20	22
	460	22	35	48	30	35	40

March 4. Total Contracts 56,073. Calls 45,088. Puts 10,985

FT-SE Index Calls 1,383. Puts 1,400

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield
‡‡	F.P.	30/1	87	65	‡Aresco (Reg) 1p	86	−1	1.0.5	6.6	0.8
‡215	F.P.	—	308	272	Barbour Index	305	.....	R4.0	3.1	1.8

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. a Amended dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1986. Q Gross. R Forecast annualised dividend; cover and p/e based on prospectus or other official estimates. W Pro Forma Figures † Indicated dividend; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. ‡ Issued by tender. § Offered holders of ordinary shares as a "rights." ¶ Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. ‖ Allotment letters (or fully-paid). • Placing price. ‡‡ Official London listing. ‡ Unlisted securities market.

‡Opening index 2013.9; 10 am 2009.6; 11 am 2021.2; Noon 2013.3; 1 pm 2003.2; 2 pm 2005.8; 3 pm 2008.4; 3.30 pm 2007.3; 4 pm 2006.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

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WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

NETHERLANDS [illegible]

GERMANY [illegible]

ITALY [illegible]

FRANCE [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

JAPAN [illegible]

JAPAN (continued) [illegible]

SINGAPORE [illegible]

SOUTH AFRICA [illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices March 4

[illegible]

MONTREAL

Closing prices March 4

[illegible]

Indices

NEW YORK [illegible]

STANDARD AND POORS [illegible]

N.Y.S.E. ALL COMMON [illegible]

TORONTO [illegible]

NYSE-Consolidated 1500 Actives [illegible]

TOKYO – Most Active Stocks
Wednesday, March 4, 1987

[illegible]

LONDON – Most Active Stocks
Wednesday, March 4, 1987

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 33

[illegible]

LONDON Chief price changes (In pence unless otherwise indicated)

RISES		
Treas. 12½pc '03-05	£125⅝	+1⅛
Avon Rub	586	+21
Bark & Dobs	183	+ 8
Berisf (S&W)	303	+18
BP	800	+25
Britoil	190½	+7½
Burmah Oil	485	+11
Cons. Gold Flds	831	+49
Delyn Packag	375	+60
Enterp Oil	215	+11
Expamet Intl.	235	+14
Fisons	639	+12½
Ibst Johnson	250	+14
Lex Serv	349	+10
Midland Bk	632	+13
NatWest B	624	+28
News Intl.	£28½	+1¼
Next	305	+ 9
Preedy (A.)	189	+27
Raebrook	151	+11
Saat & Saat	899	+ 9
Storehouse	302	+ 7
Traven Rotledge	96	+13
Transp Develop	258	+12
Underwoods	231	+13
FALLS:		
Bejam	184	− 7
Comm. Union	330	− 9½
Nich. (J.N.) (Vimto)	255	−16½
STC	263	−14
Wellcome	423	−17

Fletcher Challenge shows strong advance on increased sales

BY OUR FINANCIAL STAFF

FLETCHER CHALLENGE, the New Zealand forestry group which has been adding substantially to its Canadian and other foreign interests, yesterday reported a 15.5 per cent rise in first-half net profits to NZ$153.9m (US$86.4m), on sales up 12 per cent to NZ$2.37bn.

Its North American division, of which Crown Forest of Canada is the largest part, contributed NZ$53.2m, more than a third of the total for the six months to December and nearly three times the level of the previous comparable period.

The proportion may increase further in the current half, with the inclusion of its share of earnings at British Columbia Forest Products, where a month ago it took a 48 per cent stake. Full-year group earnings are forecast at upwards of NZ$300m.

The only restraint in prospect to a greater ratio of overseas-derived earnings is Fletcher's contested bid for NZ Forest Products, where it built up a stake of just under 20 per cent last November.

Sir Ronald Trotter, chairman, yesterday made no direct reference to the NZ$1.5bn offer for NZFP, instead describing the current holding as one of several "strategic initiatives."

These also included 4.9 per cent in Ranks Hovis McDougall, the UK food producer.

More problematic at home was its Tasman Pulp and Paper subsidiary, first hit by an 11-week strike costing NZ$20.3m and then damaged in recent days by the earthquake which hit the north of the country.

Fletcher is fully covered for losses at the newsprint plant, New Zealand's largest.

The rise in group earnings would have been far steeper had the previous NZ$133.2m not included an extraordinary credit of NZ£51.4m arising from Fletcher's exit from financial services.

Skanska launches bid for JM

BY SARA WEBB IN STOCKHOLM

SKANSKA, the Swedish construction, property, and investment company, is making an offer worth SKr 1.4bn ($217m) for outstanding shares in JM Construction and Real Estate.

Marieberg Newpapers, the newspaper group which is the main minority shareholder in JM, said it was considering the offer but could not sell its stake before the end of 1987 so as not to forfeit tax advantages.

Skanska acquired an initial stake in JM from Handus, a subsidiary of Industrivaerden, the investment company, last December.

It agreed to issue 808,500 new A shares in Skanska to pay for 330,000 A shares in JM. That deal is now valued at SKr 200m and gave Handus 8 per cent of the votes and 1.3 per cent of the share capital in Skanska.

Skanska also had an option to acquire 1.05m B shares in JM for SKr 535m, which it has taken up. Together, these deals gave it 49.7 per cent of the votes and 32.4 of JM's share capital.

Now Skanska is offering SKr 510 for each outstanding B share in JM. Marieberg Newspapers has 28 per cent of the votes and 22 per cent of the share capital.

JM owns property in and around Stockholm, Gothenburg and Malmo. Its portfolio was valued at SKr 2.6bn at the end of last year – Skanska's was valued at SKr 10bn. JM's income from property reached SKr 270m in 1986.

Leo rises 21% at year end

By Our Stockholm Correspondent

LEO, the Swedish pharmaceuticals company acquired by Pharmacia last year, made a profit in 1986 of SKr 233m ($36m) after financial items, an increase of 21 per cent on the previous year's figure of SKr 192m.

Sales increased 13 per cent to SKr 929m, against SKr 824m in 1985. Overseas sales now amount to 59 per cent of the total.

The growth was due chiefly to two products, Nicorette (a chewing gum intended to help smokers stop the habit) and Estracyt, used in cancer treatment.

Nicorette sales rose 15 per cent to SKr 193m while Estracyt sales rose 26 per cent to SKr 177m.

Pharmacia now has more than 90 per cent of Leo's share capital and votes. The board proposed raising the dividend from SKr 1.4 to SKr 1.7.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	19⅛	AAR s	.50	1.6	23	199	32¼	31¼	31¾	−⅝
34	21⅞	ADT	.92	2.9	18	634	32⅝	31¾	32⅛	+¼
38½	20¾	AFG s	.12e	.3	11	226	37⅝	36½	37½	+⅞
37	16¾	AGS			22	465	u37¾	36⅝	37¾	+1
15	6¾	AMCA				28	8¾	8½	8¾	+⅜
9	4⅞	AM Intl				1084	8⅞	8⅝	8⅝	¼
62⅞	47¼	AMR			13	8128	59⅝	58¼	58½	1½
27½	24½	ANR pf	2.67	10.		2	25⅞	25⅞	25⅞	⅛
13⅛	8	ARX s			13	134	11½	11	11⅛	+⅛
46¼	28¾	ASA	2a	4.3		1867	u46⅞	45⅛	46⅝	+1½
17⅝	9¾	AVX		2.0		594	16½	15½	16¼	+½
32¾	26½	AZP	2.72	8.6	10	732	32	31½	31¾	−⅜
62⅝	35⅛	AbtLb s	.84	1.4	27	4788	62⅝	61⅛	61⅞	+⅝
34	25	AccoWd	.62	1.9	21	117	32⅝	32¼	32⅝	−⅛
14⅛	9	AcmeC	.40	3.0	25	166	13½	13⅛	13¼	+⅛
9⅛	6⅛	AcmeE	.32b	4.5	25	14	7⅛	7⅛	7⅛	
23⅞	18¼	AdaEx	3.42e	16.		70	22¼	21¾	21⅞	
18⅝	11⅜	AdmMl s	.24	1.3	14	26	u18½	18	18½	+⅝
20⅞	12⅛	AdvSys	.62t	3.2	18	280	19⅞	19⅝	19⅝	−⅛
32¾	12⅞	AMD				6763	21¾	20⅝	21¼	+⅝
10⅝	5¼	Adobe				128	9	8⅞	8⅞	
20	13¾	Adob pf	1.84	9.3		21	19⅞	19⅝	19⅞	+⅛
21⅞	16⅝	Adob pf	2.40	11.		15	21⅝	21¼	21¼	−⅛
16⅝	11½	Advest	.12a	.9	10	285	13	12½	12⅞	+⅛
68¼	53	AetnLf	2.76	4.1	11	5745	67⅞	66	67¾	+1¾

Continued on Page 33

NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26⅝	17½	Premk n.10e	.4			1121	24⅞	24⅜	24½	+⅛
37½	25¼	Premla .44	1.3	23		29	34⅝	34⅜	34½	
29	23½	Primrk 1.20	4.7	10		353	26	27¼	27⅝	+½
23¾	15⅝	PrimeC		22		2142	21⅞	21⅜	21¾	+⅝
45⅝	24½	PrimeMDS	.2	28		1789	42½	41¾	42½	+⅝
21¾	20	PrmMLs				51	20⅞	20½	20½	−¼
91	65⅞	ProctG 2.70	3.1	20		3700	67⅞	65⅞	67	+1¼
21⅞	13⅞	PrdRs .32	1.6	25		102	20¼	20	20⅛	+⅛
41	27	Prolar 1.40	4.1			2	34⅜	34⅜	34⅜	−¼
2	1⅛	PruRiC		4		53	1⅛	1⅛	1⅛	+⅛
8⅜	6⅞	PruRl .66a	8.9			140	7⅜	7	7⅜	+⅜
22⅜	16	PSvCol 2	9.5	10		1435	21⅛	20⅞	21	
26	21¼	PSCol pf2.10	8.6			215	24¼	24½	24½	−⅛
18⅜	10	PSInd		8		807	16½	16⅛	16¼	
45¾	25	PSIn pfA3.50	9.0			z800	39¾	38	39¾	+¼
15	7⅞	PSIn pfB1.04	8.4			z900	12⅜	12⅜	12⅜	
15½	7½	PSIn pfC1.08	8.6			z2180	12⅝	12⅝	12⅝	
115⅞	89	PSIn pfE9.44	9.1			z300	103½	103½	103½	+¼
109	80	PSIn pfF8.52	8.9			258	95¼	95½	95½	
11⅜	7⅞	PSvNH		6		2377	8⅝	8⅛	8⅜	+⅜
25⅝	17	PSNH pf				z300	21½	21½	21½	−¼
25½	17	PNH pfB				4	23¼	23¼	23¼	
33¼	24	PNH pfC				8	28⅜	27¾	27¾	−⅜
31¾	22	PNH pfE				10	25⅞	25⅞	25⅞	
28⅝	19⅛	PNH pfG				7	24⅞	24⅝	24⅝	−⅜
38	30½	PSvNM2.92	7.7	11		885	37⅞	37	37⅞	+⅜
48¼	34⅜	PSvEG2.96	7.2	14		3299	41¼	40⅞	41⅜	+⅜

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
74½	46⅝	Xerox 3		4.1	19	4412	73¼	71⅝	73	+1¾
58¼	55	Xerox pf5.45		9.8		281	55½	55¼	55½	+⅛
28¾	21½	XTRA .64		2.3		427	27⅞	27⅜	27½	−⅛
20¼	13½	Yorkin n			23	111	20⅛	19⅞	20	+⅛
6	2¼	Zapata				186	3⅝	3½	3⅝	
43⅞	20¾	Zayre s .32		1.1	21	2322	29½	28⅝	29½	+⅝
17	9¾	Zemex .40		3.3	8	37	12¼	11⅞	12¼	+¼
29⅞	16⅞	ZenithE				593	23½	22⅞	23⅜	+¾
18¼	8	ZenLb s			66	2212	11¼	10⅞	11	−⅜
22⅜	12⅝	Zero .36		2.0	19	142	18⅛	18	18¼	+⅛
50⅞	32¾	Zurnln 1.32		2.6	20	148	50	49¾	50	
10⅝	6¼	Zweig n.10e		1.0		1482	9⅝	9⅝	9⅝	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the *previous 52 weeks plus the current week,* but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants, y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 31

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

GM news helps take stocks to record

WALL STREET

SNAPPING out of a two-week lull, Wall Street soared to record levels yesterday led by automotive, oil and technology stocks, *writes Roderick Oram in New York.*

Bond prices gained as much as ⅝ of a point as the good news of sharply lower factory orders, implying lower interest rates, offset the bad news of a further rise in oil prices. Trading was light, however, and devoid of retail interest.

The Dow Jones industrial Average closed up 30.93 points at 2,257.45, breaking the previous record of 2,244.09 set on February 19. Investor interest focused on car, oil and technology componets of the index with, for example, General Motors, Exxon and IBM all rising strongly. The upsurge fed through to the broader market indices.

The trigger for the rally appeared to be General Motors which jumped $3⅜ to $79¾ following the announcement late on Tuesday that it would spend $5bn by 1990 to buy back up to 20 per cent of its common shares.

GM's announcement was "a bright light" after 10 days of bad news for the market, said Mr Newton Zinder, a technical market analyst with E. F. Hutton. Negative news has included Brazil's debt moratorium, the Tower Commission's harsh criticism of the Reagan Administration and a string of poor economic figures.

"We've gone through 10 days when the bears had their chance but the market went sideways," said Mr Larry Wachtel of Prudential Bache. "Any market that holds on that well deserves to be rewarded on the upside."

Four broader market indices also set records with the Standard & Poor's 500 adding 4.49 points to 288.61, the New York and American stock market composite indices gaining 2.25 to 164.41 and 3.96 to 326.30 respectively and the over-the-counter composite advancing 3.18 to 426.74.

NYSE volume soared to 199.1m shares from 149.2m on Tuesday with advancing issues outpacing those declining by two-to-one. Many domestic and foreign institutional investors resumed buying after waiting several weeks in vain for a dip in prices before adding to their portfolios

Buoyed by GM's news, the car sector generally was strong. Ford Motor, which announced a surge in late February car sales, rose $1⅞ to $78⅜ and Chrysler added $2 to $50⅞ despite lower sales.

Among technology stocks, Digital Equipment jumped $9⅞ to $166¼ after it unveiled three new computer models, IBM advanced $1⅞ to $139⅞, Motorola gained $⅝ to $48½, Unisys was up $1⅛ to $104⅞, Intel gained $⅝ to $36½ in the over-the-counter-market and National Semiconductor was up $⅝ to $15⅝.

The second day of surging oil prices continued to boost oil stocks. Exxon gained $1⅛ to $81¼, Chevron added $⅝ to $50⅝, Atlantic Richfield rose $1¼ to $69⅝, Amoco put on $⅝ to $73⅛ and Texaco was up $⅝ to $34⅞.

USAir soared $5⅛ to $48⅞ after TWA, up $2⅛ to $31⅞, made a $52 a share takeover offer. USAir, which yesterday said it had a 24 per cent rise in traffic in February, in turn is completing an offer for Piedmont Aviation which yesterday fell $⅝ to $69⅝.

Other airline stocks were mixed reflecting this week's surge in oil prices. Allegis, parent of United Air Lines, was unchanged at $54⅝, Texas Air added $⅛ to $47½ on the American Stock Exchange, Delta fell $⅜ to $63 and AMR, parent of American, fell $1¼ to $58⅝.

Viacom International gave up $⅝ to $51⅞. The television programme and film group agreed to a takeover bid from a unit of National Amusement for a mix of cash and securities worth more than $50 a share.

Wal-Mart, the fast growing southern retailer, added $1¼ to $58¼ following an increase in fourth-quarter net profits to 65 cents a share from 47 cents. Among other store groups, Sears Roebuck was unchanged at $53, J. C. Penney gained $1½ to $95⅝, Dayton Hudson was up $⅝ to $44 and Federated Department Stores advanced $⅝ to $95⅝.

In the credit markets, bond prices managed to edged ahead in the face of higher oil prices which carry the threat of a higher inflation rate. The price of the 7.50 per cent benchmark Treasury long bond rose [illegible] of a point to 100[illegible] yielding 7.42 per cent.

The counter balancing news was the 4 per cent fall in January's durable goods orders released yesterday although the decline had been foreshadowed by the earlier announcement of a 7.5 per cent drop in durable goods orders in January, a key component.

Trading remained light with traders holding out little hope of a return of retail interest until oil prices and the dollar have a prolonged period of stability and statistics give a more convincing picture of a weakening economy.

CANADA

PRECIOUS METAL stocks staged a dramatic rally in Toronto on the back of the stronger bullion price. Base metal mines and other industrials were swept higher on the wave of buying.

Lac Minerals posted a hefty C$2⅛ rise to C$40⅞ while International Corona traded C$1⅛ up to C$41⅞. Placer at C$39½ was C$1⅛ ahead.

Among the firmer base metal stocks, Alcan was C$1½ up at C$50 and Inco managed a C$⅛ advance to C$20⅞.

Energy issues derived inspiration from the firmer oil price: Imperial Oil Class A added C$1⅛ to C$58½ after closing C$1⅞ up on Tuesday.

Banks moved against the trend in a buoyant Montreal.

David Dodwell considers whether the financial collapse of five years ago is in danger of repeating itself

Hong Kong bulls take cautionary tales in their stride

MR ROBERT FELL, Hong Kong's banking commissioner, delivered a short but sobering parable this week for the attention of local stock market operators, who have spent much of the week celebrating gains to record price levels for most leading equities.

"When I arrived in Hong Kong in 1981, we were at the top of the market," he said. "Property speculators with apparently unlimited ability to borrow from willing bankers had pushed up property prices, and the pundits said the market was solid. Confidence abounded."

He recalled that Sir John Bremridge, the local Financial Secretary, was about to announce tax cuts and that forecasts of GDP growth for 1982 had been above 8 per cent.

Twelve months later, the property market had collapsed, many share prices had halved, and illustrious corporate names were on the verge of bankruptcy.

"Are we at the same point in 1987?" he asked. "Are we forgetting history just a little too soon?"

Banks are bulging with funds available to be lent at a time when interest rates are at their lowest level ever. Mr Piers Jacobs, who succeeded Sir John Bremridge as Financial Secretary, has signalled strong economic growth in the year ahead and has cut personal and corporate taxes.

Against this superficially similar backdrop, Mr Fell insists he is not forecasting imminent doom, merely uttering cautionary words.

Yesterday, the Hang Seng index reversed the record run earlier in the week and fell a sharp 48.12 points to 2,890.93 on profit-taking. Hongkong Electric, trading again after its reorganisation, led the downturn, sliding HK$1.10 to HK$14.90 in active trading.

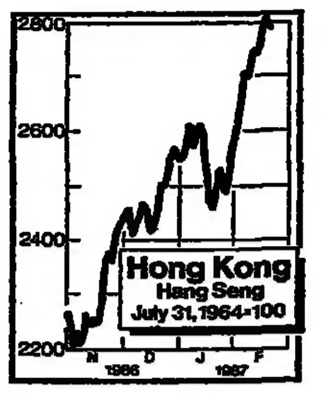
The previous day, the index had climbed by nearly 45 points to a record high of 2,939 – almost 16 per cent up from the beginning of the year and 83 per cent higher than a year ago.

While certain that a correction was overdue, one analyst at a leading international brokerage nevertheless thought parallels with 1981 were premature and share prices could probably be sustained at present levels over the course of 1987.

Despite the similarities with 1981, the differences are significant:

- Property prices – and the prices of property shares – have been rising strongly over the past year, but based on demand from end-users rather than speculators.
- Investors in the stock markets have yet to succumb to the temptation of funding their equity purchases out of bank loans. In fact, many leading banks complain that it remains difficult to lend money, despite record low interest rates in the territory.
- Listed companies in Hong Kong are not "geared to the gills," as one analyst recalled they were early in 1981. In fact, many of the territory's companies are so lightly indebted that there is steady speculation about their acquisition plans.
- The political uncertainties triggered by the start of Sino-British negotiations over the future of Hong Kong beyond 1997, which played such an important part in eroding economic confidence in the territory, seem to have evaporated.

As one US economist noted recently: "Sentiment in Hong Kong is at present unquestionably economy-driven. If economic fundamentals remain strong, people seem willing to shrug off even serious political worries."



The driving force behind share price increases is also different from 1981, when locals were the most hectically involved. The lead has been taken by international institutions – some from Japan, but early this year from Europe, and most recently from the U.S.

These institutions, seeing their own markets as expensive, have been keen to diversify by shifting small proportions of their portfolios into smaller, previously neglected markets. What may be small investments to them can have a potent impact in a modest market like Hong Kong, even though investment demand is currently passing HK$1bn (US$128m) every day.

Even by comparison with Singapore, Hong Kong is coming to be regarded by many as cheap. Share prices in the British territory have traditionally been cheaper than comparable stocks in Singapore because of "the political risk factor".

While few would dismiss political risks in the Hong Kong market, fewer are willing to claim today that there are none in Singapore. In challenging the price differential, they have suggested that a "rerating" of Hong Kong stocks is underway and that the current price surge is merely reflecting this.

Underpinning this rerating is the corporate results season that has just started and that promises to reveal strong profits growth for most leading companies in the territory.

Cheung Kong, the property group controlled by Mr Li Kashing, reported profits up by more than 120 per cent on Monday. Second-line property groups such as Sun Hung Kai Properties have also reported doubled profits.

Hutchison Whampoa, a conglomerate also controlled by Li Kasing, has this week reported profits up by 37 per cent between 1985 and 1986, and this is far from untypical of leading companies in the territory.

Mr Piers Jacobs noted in his budget speech just a week ago that the economy had grown by almost 9 per cent last year, with exports surging in the second half. The territory has inflation below 4 per cent and full employment.

With such factors in mind, stockbrokers such as Smith New Court reported just 10 days ago: "Fundamentals continue to look impressive. So long as growth in external trade is sustained, short-term fluctuations due to profit-taking or political influences should not reverse the uptrend. The market is not displaying any of the excesses commonly seen in previous bull cycles."

EUROPE

Frankfurt recovers form

FRESH RECORDS were scored in Belgium and France yesterday as European bourses regained buoyancy on bargain-hunting aided by the dollar's recovery and good corporate news.

Frankfurt recovered strongly in a further technical response to recent losses and export-linked shares again found demand on the firmer dollar.

The Commerzbank added 24.2 to 1,738.1 at midsession although some late profit-taking pared gains in a market still cautious about the currency outlook and IG Metall's planned warning strikes next Monday.

Cars were particularly strong, with VW up DM 3.50 to DM 361, Daimler DM 12.50 ahead at DM 979, Porsche gaining DM 5 to DM 838 and BMW up DM 1 to DM 486. Tyremaker Conti Gummi added DM 3.30 to DM 310.

In healthier banks, recovering from Brazilian debt worries, Deutsche Bank ended DM 7 higher at DM 645.50

Commerzbank advanced DM 10 to DM 259.50 and Dresdner DM 6.50 to DM 335.50.

Bonds were mainly lower as overseas investors sold long-dated issues. The Bundesbank bought DM 22m worth of paper after selling DM 101.1m on Tuesday in its daily market-balancing operation.

Paris hit its fourth consecutive record high in active trading as hopes of a cut in domestic interest rates continued to lift the market, encouraged further by strong overnight performances in New York and Tokyo.

The CAC General index added 3.7 to a peak of 442.1 for a rise of 13 points this week, while the Indicateur de Tendance was up 1.3 at 112.3.

FT-SE index passes 2,000 milestone

AN ONSLAUGHT of profit-taking failed to halt London's run to a new high as rising prices for crude oil buttressed sterling and hopes for early cuts in local interest rates.

The FT-SE 100 passed the 2,000 milestone with a 4.4 rise to 2,002.7 after showing an early gain of more than 23 points. The FT Ordinary index, however, shed 1.1 to 1,612.4.

Gilts surged by more than a full point on sterling's strength while the new £1bn tap stock, seen as an attempt to dampen the market, was swiftly sold out.

Details, Page 30

Mail order group La Redoute was one of the main beneficiaries of widespread rises with a climb of FFr 178, or 6 per cent, to FFr 2,948, while electronics issue Thomson-CSF rose FFr 60, or 4 per cent, to FFr 1,615.

Banks were slightly higher and oils also rose.

Brussels continued to attract foreign, especially UK, buyers and the stock market index rose to a new high of 4,231.64, a gain of 17.26 from Tuesday and of 42.9 points this week.

Buying was selective, with Sofina up BFr 375 at BFr 13,300, Solvay adding BFr 280 to BFr 9,780 and Gevaert BFr 50 ahead at BFr 6,510.

Amsterdam was given a much-needed fillip by strong internationals led by Unilever and Royal Dutch.

The rise in oil prices helped the latter to a Fl 5.90 gain to Fl 219 while Unilever added Fl 4.70 to Fl 527.20 after its results on Tuesday.

Royal Dutch is due to report its fourth quarter results today.

Buying spread and by the close the CBS Tendency index was up 0.7 to 89.2.

Banks and insurers picked up well.

Zurich rose on bargain-hunting and renewed overseas interest in active trade. Banks were generally higher, with Swiss Bank adding SFr 4 to SFr 467

Arms maker Oerlikon-Bührle gained SFr 25 to SFr 1,195 after subsidiary Contraves announced a US order.

Milan was a little higher in a technical rally

Stockholm was boosted by a fall in interest rates.

Oslo remained quiet and Madrid was still weak after Tuesday's heavy profit-taking.

SOUTH AFRICA

FIRMER BULLION prices injected extra life into Johannesburg gold shares despite the higher financial rand.

Randfontain surged R20 to R379 while Free State consolidated at R52.75 was R2.90 higher.

Leading diamond share De Beers gained R1.50 to R39.50.

Strong foreign buying was focused among the main mines but local support spread to other sectors with industrial leader Barlow Rand 25 cents higher at R19.90 although South African Breweries dipped 25 cents to R17.

ASIA

Fresh peak for Nikkei

TOKYO

STRONG GAINS in morning trading were blunted as concern grew over the sharp rise in prices and the likelihood of stiffer margin trading regulations in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended 60.27 points up at 21,031.66, exceeding the 21,000 level for the first time. The bellwether indicator rallied moderately towards the close after surging 230 points at one stage in the morning and shedding the gain early in the afternoon.

Turnover stayed large, with 1.04bn shares changing hands, compared with the previous day's 1.11bn. Declines outpaced advances by 490 to 394, with 132 issues unchanged.

Brokers said the speed of transactions was accelerated by record-breaking rises of popular issues such as large-capital, financial, and Aids-related stocks, together with growing unease about precariously high prices and the likelihood of tighter controls on margin trading.

Buying interest focused on issues which tend to move widely because floating shares are limited.

Among these was Nippon Telegraph and Telephone (NTT), which closed Y100,000 up at Y2.9m after rocketing Y210,000 to Y3.01m at one stage on active institutional and speculative demand. Individual shareholders' reluctance to sell also helped the stock, traders said.

Resources-linked issues performed strongly. Nippon Mining rose Y38 to Y511 on volume of 54.21m shares after news that a Japanese consortium including Nippon Mining and Arabian Oil had struck oil near the mouth of China's Pearl River. Arabian Oil finished Y220 higher at Y7,120 after gaining an early Y500.

Stocks related to Acquired Immune Deficiency Syndrome (Aids) were among the best performers. Ajinomoto, with 16.82m shares traded, climbed Y280 to Y3,550 on renewed investor appraisal of its efforts to develop drugs for the diagnosis and treatment of the disease.

Takara Shuzo, with 24.07m shares, advanced Y120 to Y1,200 on reports that it will begin research and development of Aids treatment drugs. Sumitomo Chemical gained Y13 to Y729 and Sanraku Y200 to Y1,230.

Large-capitals closed mixed: Mitsubishi Heavy Industries headed the active stock list, with 75m shares traded, firming Y18 to Y568, and Nippon Steel, second busiest with 74.58m shares, improved Y2 to Y287, while Kobe Steel weakened Y2 to Y288 and Ishikawajima-Harima Industries eased Y7 to Y460.

Among financials, non-life insurers and securities firms were preeminent. Tokio Marine and Fire Insurance strengthened Y50 to Y2,220, Sumitomo Marine and Fire Insurance gained Y60 to Y1,320, Nomura Securities Y140 to Y4,840 and Yamaichi Securities Y50 to Y2,340.

Bonds eased in lacklustre trading in the absence of fresh market-moving factors. The yield on the 5.1 per cent government bond due in June 1996 rose sharply from 4.720 to 4.765 per cent on late selling after falling to 4.696 per cent earlier.

Dealers said the weakness stemmed from continued small-lot selling by a big securities company which had been an active buyer of the issue. A lack of activity by institutions also helped the bond down, dealers said.

AUSTRALIA

EARLY LOSSES were shrugged off in Sydney and the All Ordinaries index strode ahead to a new peak with a 8.4 gain to 1,623.4. Most of the buying centred on industrial and resource issues with gold and oils finding heavy demand. Turnover was heavy at 138.7m shares worth A$219m.

BHP was prominent in the resources sector recovery with its 20-cent rise to A$10.45 after Tuesday's 25-cent fall; Peko Wallsend scored a 20-cent gain to A$8.20 and CSR at A$3.80 was 2 cents higher.

Bond Corp was one of the most active with 5.8m shares changing hands: it held steady at A$2.70.

Private Blood Bank suffered some sharp profit-taking with a hefty A$2.10 fall to A$9.90 before its managing director denied local speculation that he had resigned.

Gold Mines of Kalgoorlie surged A$1.50 to A$22.00

SINGAPORE

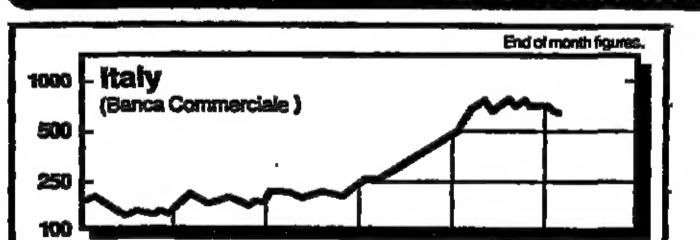
SHORT-COVERING and bargain hunting overcame unease over the budget in Singapore and left the Straits Times industrial index up 5.84 to 1,066.02 on volume of 49.8m shares.

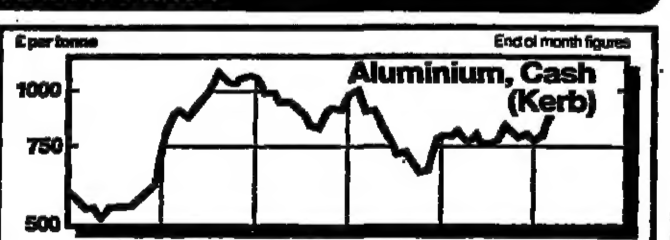
Paper Products remained the most active with 3.1m shares traded and closed 4 cents higher up at 44½ cents.

United Motor Works, also busy on 2.3m shares, jumped 6½ cents to 74½ cents while Malaysia Resources firmed 2 cents to 33½ cents on 2.2m shares.

Elsewhere, SIA rose cents to S$11.30 and Singapore Land at S$6.60 was 10 cents higher.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Mar 4	Previous	Year ago
NEW YORK			
DJ Industrials	2,257.45	2,226.52	1,686.42
DJ Transport	952.88	940.77	786.92
DJ Utilities	220.00	216.39	184.24
S&P Comp.	288.62	284.12	224.26
LONDON FT			
Ord	1,612.4	1,613.5	1,301.3
SE 100	2,002.7	1,998.3	1,548.9
A All-share	995.21	992.61	762.12
A 500	1,109.88	1,107.22	840.24
Gold mines	339.5	325.2	337.8
A Long gilt	9.39	9.51	9.77
TOKYO			
Nikkei	21031.66	20971.39	13784.3
Tokyo SE	1827.24	1821.37	1099.24
AUSTRALIA			
All Ord.	1,624.3	1,615.8	1,058.3
Metals & Mins.	770.3	766.9	510.6
AUSTRIA			
Credit Aktien	205.69	205.50	237.10
BELGIAN SE	4,231.64	4,214.38	3,306.57
CANADA			
Toronto			
Met.& Mins.	2,524.1	2,464.4	2,245.00
Composite	3,593.5	3,533.2	2,871.5
Montreal			
Portfolio	1,794.25	1,768.08	1,455.52
DENMARK SE	–	201.92	236.60
FRANCE			
CAC Gen	442.10	438.40	304.8
Ind. Tendance	112.30	111.00	73.2
WEST GERMANY			
FAZ-Aktien	577.87	n/a	657.26
Commerzbank	1,738.10	1,713.90	1,957.5
HONG KONG Hang Seng	2,890.93	2,939.05	1,695.77
ITALY Banca Comm.	676.56	673.60	565.01
NETHERLANDS ANP CBS			
Gen	265.30	262.80	245.2
Ind	249.80	249.30	238.0
NORWAY Oslo SE	387.23	385.86	351.21
SINGAPORE Straits Times	1,066.00	1,063.90	626.23
SOUTH AFRICA JSE			
Golds	—	1,832.0	1,185.3
Industrials	—	1,618.0	1,144.0
SPAIN Madrid SE	245.65	253.91	137.27
SWEDEN J & P	2,470.66	2,447.43	1,887.22
SWITZERLAND Swiss Bank Ind	571.30	567.90	564.4
WORLD MS Cap. Int'l March 3	414.10	412.8	282.9

COMMODITIES (London)

	March 4	Prev
Silver (spot)	349.80p	348.45p
Copper (cash)	£911.50	£903.00
Coffee (May)	£1,265.00	£1,314.00
Oil (Brent)	$17.15	$16.60

GOLD ($/oz)

	March 4	Prev
London	$405.50	$404.00
Zürich	$405.55	$403.65
Paris (fixing)	$407.67	$404.46
Luxembourg	$407.25	$404.25
New York (April)	$412.20	$409.10

CURRENCIES (London)

	US DOLLAR Mar 4	US DOLLAR Previous	STERLING Mar 4	STERLING Previous
$	–	–	1.5650	1.5600
DM	1.8375	1.8335	2.875	2.86
Yen	153.70	153.65	240.50	239.75
FFr	6.1125	6.1025	9.565	9.52
SFr	1.5480	1.5440	2.4225	2.4075
Fl	2.0725	2.0700	3.2425	3.23
Lira	1,306.0	1,303.0	2,044.0	2,023.50
BFr	38.05	37.95	59.55	59.20
C$	1.3325	1.3330	2.0860	2.0800

INTEREST RATES

	Mar 4	Prev
Euro-currencies (3-month offered rate)		
£	10[illegible]	10[illegible]
SFr	3[illegible]	4
DM	4⅛	4[illegible]
FFr	8⅛	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6[illegible]	6[illegible]
6-month US$	6[illegible]	6[illegible]
US Fed Funds	6 *	6[illegible]
US 3-month CDs	6.0 *	6.275
US 3-month T-bills	5.505*	5.70

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar 4				
March	101-27	101-29	101-06	101-11
US Treasury Bills (IMM) $1m points of 100%				
March	94.48	94.49	94.42	94.43
Certificates of Deposit (IMM) $1m points of 100%				
March	–	–	–	93.97
LONDON				
Three-month Eurodollar $1m points of 100%				
March	93.60	93.60	93.56	93.61
20-year Notional Gilt £50,000 32nds of 100%				
March	120-23	120-24	120-01	119-18

US BONDS

Treasury

	March 4* Price	March 4* Yield	Prev Price	Prev Yield
6⅝ 1989	99[illegible]	6.334	99[illegible]	6.368
7¼ 1993	100[illegible]	6.954	100[illegible]	6.963
7¼ 1996	100[illegible]	7.155	100[illegible]	7.187
7½ 2016	100[illegible]	7.45	100[illegible]	7.481

Source: Harris Trust Savings Bank

Treasury Index March 4

Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.76	–0.03

Source: Merrill Lynch

Corporate

	March 4* Price	March 4* Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	93.58	6.05	93.42	6.10
SCBT South Central 10⅛ Jan 1993	105.375	9.68	105.25	9.71
Phibro Sal 8 April 1996	99.875	8.02	99.75	8.04
TRW 8⅞ March 1996	103.625	8.17	103.50	8.19
Arco 9⅞ March 2016	113.0	8.65	113.875	8.61
General Motors 8⅛ April 2016	95.00	8.60	95.00	8.60
Citicorp 9⅜ March 2016	101.00	9.27	101.00	9.28

Source: Salomon Brothers

* Latest available figures

David Lascelles assesses the UK clearing banks' move into investment banking

Counting the cost of Big Bang

BIG BANG, the UK financial services revolution started in October, was never going to be a cheap affair for British banks, given the huge investment needed in new businesses, people and technology, to say nothing of fleets of Porsches needed to keep eager young traders happy. The clearing banks's results for 1986, announced over the past 10 days, have confirmed this.

All of them have spend large or small fortunes (in Barclays' case well over £100m) to buy and set up their investment banking operations with, as yet, precious little return. The cost and trading losses they incurred last year appear to total well over £200m ($310m).

But all of them consider this to be money well spent, and the comment by Mr Philip Wilkinson, the chief executive of NatWest, the UK's largest clearer, echoed the views of all of them: "I see our move into investment banking as a strategic development that holds great promise for the future."

NatWest's own outlays were in the middle range. It bought two medium sized stock exchange firms, Fielding Newson-Smith and Bisgood Bishop, and wrote off £26m of the acquisition cost in the first half of 1986. But in addition, the group bore a loss of £38m due to the cost of setting up NatWest Investment Bank (NWIB), its new investment banking subsidiary, bringing the net launch cost to £64m.

This figure included £18m spent in the UK and another £18m on NWIB's overseas offices in New York, Tokyo and Australia, reflecting NWIB's aim to develop a global reach. The business incurred a further £2m in operating losses.

THE COST OF BIG BANG (£m)

	1986 profit (loss) of investment banking business	Written off against reserves
Barclays	1	125
Lloyds	(28)	0
Midland	54*	na
NatWest	(36)	26

* Includes profits from Midland's treasury operation

Barclays took a more ambitous route and bought two large firms, de Zoete & Bevan and Wedd Durlacher for about £125m which it wrote off against reserves in the first half of the year. The group's new investment bank, BZW, made a profit of £20m in the first half of the year before the Big Bang. But trading conditions and expenses worsened as the October 27 date neared, and BZW made a loss of £19m in the second half, leaving it just £1m in the black for the year as a whole.

Even so, this means that BZW is the only clearer-owned investment bank which reported a profit for the year. This has provoked some suspicious comment from competitors who suggest the Barclays might have laid some BZW costs away somewhere else in its vast organisation. But this is denied.

Sir Timothy Bevan, Barclays' chairman, commented that the group's overall 1986 results "would have been significantly higher had we not made our investment in BZW." He cited the start-up costs and the lost return on the capital used to acquire de Zoete's and Wedd's.

Lloyds Bank's costs were smallest. Having decided not to buy any firms, all its expenses went into setting up its own business from scratch: Lloyds Merchant Bank (LMB).

LMB made a loss of £28m which includes all the start-up costs (unlike other banks, Llodys wrote none of the costs off against reserves), and a loss of about £10m on securities dealing.

Midland Bank is being cagiest about its experience with Big Bang. Its results, which were reported yesterday, do not give a specific breakdown of Midland Montagu, its newly established investment banking arm. Instead, it reports a profit of £54m for "investment banking," but this includes the results of Midland's highly profitable treasury business which, for operational reasons, is amalgamated with Midland Montagu.

Fortunes have been spent in the UK financial services revolution but precious little return has been achieved. Costs and trading losses are estimated at over £200m so far.

Sir Kit McMahon, the chief executive, refused to be more specific yesterday on the grounds that this could be misleading. But he did say that the figure included £17m of profit from Midland's venture capital business. "We are quite pleased with the way it is trading," he said.

Midland's biggest cost would have been the acquisition of W. Greenwell, the stockbroking firm for which it is believed to have paid £30m, which would have been written off against reserves. More recently it has had to bear the considerable expense of equipping and moving Midland Montagu into new quarters in the redeveloped Billingsgate fish market.

The banks have given out a few details of their trading experience in the securities markets since Big Bang, now their major activity.

Both BZW and Midland claim to be making a profit on their gilt-edged trading, where competition is now at its most intense. But the other two banks admit to making a loss. Lloyds Merchant bank said it lost £7m on gilts; NatWest has not put out a specific figure, but it is believed to be slightly less than Lloyds'.

All the banks except Midland claim to be making a profit on their domestic equities business, but Nat West said that it was losing money on its international equities and bond activities.

This mixed performance makes it hard to form any judgments about the state of the UK securities markets since Big Bang. But observers say the pattern that is emerging is that dealers who had a big position in the markets before Big Bang are more likely to be profitable now than those who started with only a small market share.

All the banks are putting an optimistic gloss on their investment banking activities. BZW said it made a profit in January and February, and the others expect to do better in 1987 than in 1986. Mr Brian Pitman, the chief executive of Lloyds Bank, said of LMB "I am hopeful that we will turn it round this year."

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